dfcu
...with pleasure

dfcu GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

CHAMPIONING OUR CUSTOMER

MAKING
MORE
POSSIBLE

dfcu Limited

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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GROUP INFORMATION

DIRECTORS

Elly Karuhanga*	-	Chairman (Resigned 30 September 2021)
Dr. Aminah Zawedde*	-	Non-executive Director (Acting Chairperson)
Kironde Lule*	-	Non-executive Director
Albert Jonkergouw**	-	Non-executive Director
Friedrich C Pelser***	-	Non-executive Director
Barbara T. Arimi*	-	Non-executive Director
*Ugandan	**Dutch	***South African

CORPORATION SECRETARY

Ligomarc Advocates
5th Floor Social Security House
Plot 4, Jinja Road
P. O. Box 8230
Kampala, Uganda

AUDITOR

Ernst & Young
Certified Public Accountants
Ernst & Young House
Plot 18 Clement Hill Road
Shimoni Office Village
P. O. Box 7215
Kampala, Uganda

REGISTERED OFFICE

Plot 26 Kyadondo Road
P. O. Box 2767
Kampala, Uganda

MAIN CORRESPONDENT BANKS

Citibank N.A New York
International Services
Citibank N.A New York
399 Park Avenue, New York, NY
10043 U.S.A

Citibank N.A London
International Services
Citibank N.A London
Citigroup Centre, Canada square
Canary Wharf, London E14 5LB

First Rand Bank
6th Floor, 1 Merchant Place
Corner Fredman & Rivonia Road
Sandton, South Africa

Bank of China
Zhongyin Tower
Yincheng Zhong Road
Shangai, China

Kenya Commercial Bank (KCB)
Kencom House, Moi Avenue
Nairobi, Kenya

dfcu Bank Limited
Plot 26 Kyadondo Road
P. O. Box 70
Kampala, Uganda

GROUP'S SOLICITORS

M/s MMAKS Advocates
4th Floor Redstone House
Plot 7 Bandali Rise-Bugolobi Kampala

S& L Advocates (formerly Sebalu and Lule Advocates)
14, MacKinnon Road, Nakasero
P. O. Box 2255, Kampala

M/s A.F Mpanga Advocates
Plot 26 Kyadondo Road, Nakasero
P. O. Box 1520 Kampala

K&K Advocates
K&K Chambers
Plot 5A2 Acacia Avenue
P. O. Box 6061, Kampala

M/s Arcadia Advocates
3rd Floor Acacia Place
Plot 6 Acacia Avenue
P. O. Box 28997, Kampala

KTA Advocates
Plot 4 Hannington Road
P. O. Box 37366, Kampala

KSMO Advocates
5th Floor Crested Towers
17 Hannington Road
P. O. Box 23064, Kampala

Kentaro Mugerwa & Company Advocates
2nd Floor Mukwano Courts
Plot 13 Buganda Road, Kampala

Kalenge, Bwanika, Ssawa & Co. Advocates
KBS Chambers
Plot 30, Lumumba Avenue
P. O. Box 8352, Kampala

Amber Solicitors & Advocates
6th Floor Lourdel Towers
Plot 1 Lourdel Road, Kampala

Muganwa Nanteza and Co Advocates
Plot 1-3 Coral- Crescent, Lower Kololo
Nice Apartments
P. O. Box 8543, Kampala

Ligomarc Advocates
5th Floor, Social Security House
Plot 4, Jinja Road
P. O. Box 8230, Kampala

DIRECTORS' REPORT

The directors submit their report together with the audited consolidated and separate financial statements of **dfcu** Limited ("the Company") and its subsidiary, **dfcu** Bank Limited (together "the Group") for the year ended 31 December 2021, which disclose the state of affairs of the Group and of the Company. The Group's parent company is **dfcu** Limited ("the Company"), which owns 100% of the ordinary shares of **dfcu** Bank Limited.

PRINCIPAL ACTIVITIES

The Group is engaged in the business of commercial banking and the provision of related services and real estate. The Bank (subsidiary) is licensed under the Financial Institutions Act, 2004 (as amended by the Financial Institutions Amendment Act, 2016).

The Group's balance sheet closed at Ushs 3.136 trillion in 2021 (2020: Ushs 3.498 trillion), net loans and advances of Ushs 1.508 trillion (2020: 1.775 trillion) and customer deposits of Ushs 2.282 trillion (2020: Ushs 2.595 trillion).

Future outlook

The Group is very clear about the role it must and will continue to play in supporting our customers and the economy; while also maintaining a strong, resilient balance sheet and delivering value to our shareholders. Our priorities for the next three years include the following:

- Aggressively pursue the Group's strategy to digitise our operations to the benefit of our customers;
- Diversify the deposit mix with the focus on reducing our overall cost of funds; and
- Grow and diversify quality loan portfolio.

RESULTS AND DIVIDEND

The Group's profit for the year was Ushs 9.3 billion (2020: Ushs 24 billion). The directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Ushs 13 billion).

DIRECTORS

During the financial year and up to the date of this report, other than as disclosed in Note 46 to the consolidated and separate financial statements, no director has received or become entitled to receive any benefit other than directors' fees and amounts received under employment contracts for executive directors. The aggregate amount of emoluments for directors' services rendered in the financial year is disclosed in Note 46 of the consolidated and separate financial statements.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Group is a party whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Group.

The directors who held office during the year and to the date of this report are set out on page 1.

COMPANY REGISTRAR

The registrar of the Company is Deloitte (Uganda) Limited located at the address below:

Plot 1 Lumumba Avenue
3rd Floor Rwenzori House
P. O. Box 10314
Kampala
Uganda

AUDITOR

The Group's external auditor, Ernst & Young, being eligible for reappointment have expressed willingness to continue in office in accordance with Section 167(2) of the Companies Act, 2012 of Uganda.

ISSUE OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements were authorised for issue in accordance with a resolution of the directors dated 29 March 2022.

By order of the Board

....

Ligomarc Advocates
5th Floor Social Security House
Plot 4, Jinja Road
P. O. Box 8230
Kampala, Uganda

COMPANY SECRETARY

Date:29 March 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Group's directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view of the consolidated and separate financial position of dfcu Limited, comprising the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act, 2012 of Uganda.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Group to continue as going concern and have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the International Financial Reporting Standards and the Companies Act, 2012 of Uganda.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements of **dfcu** Limited, as identified in the first paragraph, were approved by the Board of Directors on 29 March 2022 and were signed on its behalf by:

....
Director

....
Director

....
Secretary

Date: 29 March 2022

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF DFCU LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

We have audited the separate financial statements of dfcu Limited (the ''Company'') and the consolidated financial statements comprising the Company and its subsidiary (together, the ''Group'') set out on pages 11 to 116, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Company as at 31 December 2021, and the consolidated and separate financial performance and consolidated and separate cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

<table>
<tr><th>No.</th><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>1.</td><td colspan="2">Accounting for Expected Credit Losses on loans and advances to customers</td></tr>
<tr><td>•</td><td colspan="2">Level: Consolidated</td></tr>
<tr><td></td><td>As described in Note 22, as at 31 December 2021, the Group has an allowance for expected credit losses of Ushs 177.258 billion (2020: Ushs 62.866 billion) charged on gross loans and advances of Ushs 1,686 billion (2020: Ushs 1,838 billion). The expected credit losses are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Group to make significant judgements in the consideration of the following variables:

• Grouping of loans to customers to stages 1, 2 and 3 in accordance with IFRS 9 based on:
  • Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (life-time ECL);
  • Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL).
• Segmentation of assets under different credit portfolio on the basis of the associated credit risk.
• Assessment of the Probability of Default (PD) and the Loss Given Default (LGD).
• The application of historical and forward-looking information, including macro-economic factors in the assessment of the PD.
• Assessment and forecast of expected future cash flows from impaired (stage 3) loans and advances to customers and assessment of the financial condition of the counterparty, estimated recoverability and collateral realisation.
• Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments.
• Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss models.

Due to the uncertainty of the economic impact of COVID-19, management re-assessed the assumptions used to estimate ECLs, on account of changes in the market conditions and related observable inputs. The disclosures in Note 6B to the financial statements provide particularly important information about the changes in the assumptions made in the determination of ECLs and the market conditions as at 31 December 2021.

Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter. The complexity of these estimates require management to prepare adequate disclosures to explain the key judgments and the key inputs into the ECL computations.

Refer to notes 5(i), 6B and 22 to the financial statements statements for accounting policies and the relevant detailed disclosures, respectively.</td><td>Our audit procedures included, but were not limited to:

• Reviewed the accounting policies for compliance with IFRS 9 requirements;
• Reviewed the ECL models including whether the assumptions applied, and the functioning and application of the models were accordance with IFRS 9;
• Reviewed the staging of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information;
• Evaluated the assumptions made to factor expected future cash flows into the ECL computations, taking into account market conditions, and the post-reporting date performance of the loan facilities;
• We evaluated the reliability of data sources, including collateral valuation, used in the ECL calculations. This included reviewing a sample of loan files to check, where appropriate, if the inputs agreed to the supporting documentation.
• We assessed whether disclosures made in the financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS 9.</td></tr>
</table>

2.	**Valuation of non-performing loans acquired from Crane Bank Limited (in receivership)**	
	Level: Consolidated	
	As disclosed in Note 26 to the financial statements, the Group recognised a financial asset based on the fair valuation of written off and non-performing loans and advances acquired from Crane Bank Limited (in receivership). The financial asset is measured at fair value through profit or loss and amounts to Ushs 72.664 billion as at 31 December 2021 (2020: Ushs 109.892 billion). A fair value loss of Ushs 30.861 billion has been recognised for the year ended 31 December 2021 (2020: Ushs 50.488 billion). The fair valuation of the financial asset is determined using the discounted cash flows method. The valuation of the financial asset is considered a key audit matter due to the significant amounts and judgments involved. The key judgements include estimating the future cashflows expected from the facilities and the time when the cash flows will be received. The estimation process is further complicated by the impact of the Covid-19 pandemic on the counterparties and general business environment. We also considered that the related disclosures in Note 26 are significant to the understanding of these financial assets.	Our audit procedures included, but were not limited, to: Reviewed documentation supporting management's assessment of the expected future cash flows including loan files, correspondence with the counterparties, payment plans agreed with the counterparties, collateral valuation reports, and legal reports. Basing on the information available in the documents reviewed, we evaluated the realizability and timing of cash flows expected from payments from counterparties and disposal of collateral, and where litigation is involved, the likely outcome of the litigation. Assessed whether assumptions made in previous periods continue to be reasonable by reviewing actual outcomes during the year and subsequent to the reporting date. Assessed whether management considered the impact of the Covid-19 pandemic, for example, on the realizability of expected cash flows including the impact of the pandemic on the valuation of collaterals. Assessed whether the disclosures made in the financial statements are complete.

Other information

The directors are responsible for the other information. The other information comprises the information included on pages 1 to 5 which includes the Group Information, the Directors' Report as required by the Companies Act, 2012 of Uganda, the Statement of Directors' Responsibilities and the Supplementary Information appended to the audited financial statements, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Act, 2012 of Uganda, requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

ii) in our opinion, proper books of account have been kept by the Group and the Company, so far as appears from our examination of those books; and,

iii) the Group's and the Company's statements of financial position and statements of comprehensive income are in agreement with the books of account.

The Engagement Partner on the audit resulting in this independent auditor's report is CPA Julius Rwajekare – FM 1159.

Ernst & Young
....
Ernst & Young
Certified Public Accountants of Uganda
Kampala, Uganda

....
Julius Rwajekare
Partner

Date: 30 March 2022

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2021	2020
		Ushs M	Ushs M
Interest income calculated using the effective interest method	9(a)	**347,311**	335,187
Other interest and similar income	9(b)	**7,488**	8,635
Interest expense calculated using the effective interest method	10	**(81,509)**	(110,434)
Net interest income		**273,290**	233,388
Fees and commission income	13	**62,500**	50,773
Net trading and other income	11	**30,835**	19,597
Net income from other financial instruments at FVTPL	12	**2,002**	486
Total operating income		**368,627**	304,244
Operating expenses	14	**(183,523)**	(191,639)
Fair value losses on other financial assets at fair value through profit or loss	26	**(30,861)**	(50,488)
Credit loss expense on financial assets	22	**(148,358)**	(30,632)
Profit before tax		**5,885**	31,485
Income tax credit / (expense)	19(a)	**3,427**	(7,408)
Profit after tax for the year		**9,312**	24,077
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain / (loss) on FVOCI financial assets net of tax	41	**4,776**	(978)
Changes in ECL on FVOCI financial instruments	41	**26**	34
Total other comprehensive income		**4,802**	(944)
Total comprehensive income for the year		**14,114**	23,133
Attributable to:			
Equity holders of the Company		**14,114**	23,133
Non-controlling interest		**-**	-
		14,114	23,133
Earnings per share:			
Basic earnings per share	18	**12.45**	32.18
Diluted earnings per share	18	**12.45**	32.18

All the profit after tax for the year, other comprehensive income and total comprehensive income are attributable to equity holders of the Company.

Company statement of comprehensive income for the year ended 31 December

	Note	2021 Ushs M	2020 Ushs M
Interest income	9	**145**	13
Interest expense	10	**(2,720)**	(2,863)
Net interest income		**(2,575)**	(2,850)
Fees and commissions	13	**602**	526
Dividend income		**15,000**	-
Other income	11	**6,241**	6,235
Operating income		**19,268**	3,911
Operating expenses	14	**(8,856)**	(4,978)
Profit / (loss) before tax		**10,412**	(1,067)
Income tax credit	19(a)	**685**	827
Profit/(loss) for the year		**11,097**	(240)
Other comprehensive income:			
Profit / (loss) for the year		**11,097**	(240)
Other comprehensive income		-	-
Total comprehensive income for the year		**11,097**	(240)

Consolidated statement of financial position as at 31 December

	Note	2021 Ushs M	2020 Ushs M
Assets			
Cash and balances with Bank of Uganda	20	**516,802**	606,750
Deposits and balances due from other banks	21	**229,524**	195,441
Government and other securities:			
Trading assets	25	**6,700**	58,357
Investment securities at FVOCI	24	**339,849**	259,623
Investment securities at amortised cost	24	**212,441**	257,382
Loans and advances to customers	22	**1,508,410**	1,775,316
Investment in equity shares	23	**7,701**	9,651
Other assets	26	**118,147**	131,149
Derivative financial instruments	44(b)	**647**	-
Current income tax recoverable	19(d)	**214**	-
Deferred income tax asset	30	**26,336**	12,688
Property, equipment and right-of-use assets	28	**91,035**	107,208
Investment property	27	**18,795**	19,242
Intangible assets	29	**31,042**	36,681
Assets held for disposal	28(b)	**29,089**	29,089
Total assets		**3,136,732**	3,498,577
Liabilities			
Customer deposits	32	**2,282,205**	2,595,347
Derivative financial instruments	44(b)	**308**	97
Deposits due to other banks	33	-	10,968
Other liabilities	34	**66,196**	76,548
Borrowed funds	37	**190,614**	217,219
Special funds	36	**1,193**	1,193
Current income tax payable	19(d)	-	1,773
Provisions	44(a)	**2,190**	2,520
Total liabilities		**2,542,706**	2,905,665
Equity			
Share capital	38	**14,963**	14,963
Share premium	38	**185,683**	185,683
FVOCI reserve	41	**3,260**	(1,542)
Retained earnings	40	**390,120**	356,157
Proposed dividend	17	-	37,651
Total equity		**594,026**	592,912
Total equity and liabilities		**3,136,732**	3,498,577

The consolidated and separate financial statements were approved for issue by the Board of Directors on 29 March 2022 and signed on its behalf by:

....	....	....
Director	Director	Secretary

Company statement of financial position as at 31 December

		2021	2020
		Ushs M	Ushs M
Assets			
Amounts due from Group companies	46(b)	**2,882**	197
Other assets	26	**186**	17
Current income tax recoverable	19(d)	**651**	949
Deferred income tax asset	30	**2,154**	1,164
Investment in subsidiary	31	**203,293**	203,293
Investment property	27	**41,130**	43,605
Total assets		**250,296**	249,225
Liabilities and equity			
Liabilities			
Other liabilities	34	**7,185**	3,649
Borrowed funds	37	**5,239**	4,502
Amounts due to Group companies	46 (a)	**14,633**	15,932
Total liabilities		**27,057**	24,083
Equity			
Share capital	38	**14,963**	14,963
Share premium	38	**185,683**	185,683
Accumulated losses	40(a)	**22,593**	(13,155)
Proposed dividends	17	-	37,651
Total equity		**223,239**	225,142
Total equity and liabilities		**250,296**	249,225

The consolidated and separate financial statements were approved for issue by the Board of Directors on 29 March 2022 and signed on its behalf by:

.... Director

.... Director

.... Secretary

Consolidated statement of changes in equity for the year ended 31 December

	Note	Share capital	Share premium	Retained earnings	Other reserves	Regulatory reserve	FVOCI revaluation reserve	Proposed dividends	Attributable to equity holders of the parent	Total
		Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
As at 1 January 2020		14,963	185,683	343,563	12,113	14,055	(598)	-	569,779	569,779
Profit for the year		-	-	24,077	-	-	-	-	24,077	24,077
Other comprehensive income										
Loss allowance FVOCI		-	-	-	-	-	34	-	34	34
FVOCI revaluation		-	-	-	-	-	(978)	-	(978)	(978)
Total comprehensive income		-	-	24,077	-	-	(944)	-	23,133	23,133
Transfers from the regulatory reserve	39			14,055	-	(14,055)			-	-
Transfer from other reserves		-	-	12,113	(12,113)	-	-	-	-	-
Transactions with shareholders:									-	-
Dividends paid		-	-	-	-	-	-	-	-	-
Proposed dividends	17	-	-	(37,651)	-	-	-	37,651	-	-
As at 31 December 2020		14,963	185,683	356,157	-	-	(1,542)	37,651	592,912	592,912
As at 1 January 2021		**14,963**	**185,683**	**356,157**	-	-	**(1,542)**	**37,651**	**592,912**	**592,912**
Profit for the year		-	-	**9,312**	-	-	-	-	**9,312**	**9,312**
Other comprehensive income										
Loss allowance FVOCI		-	-	-	-	-	**26**	-	**26**	**26**
FVOCI revaluation		-	-	-	-	-	**4,776**	-	**4,776**	**4,776**
Total comprehensive income		-	-	-	-	-	**4,802**		**14,114**	**14,114**
Transactions with shareholders:									-	-
Dividends paid		-	-	-		-	-	**(13,000)**	**(13,000)**	**(13,000)**
Proposed dividends adjustment		-	-	**24,651**	-	-	-	**(24,651)**	-	-
Proposed dividends	17	-	-	-	-	-	-	-	-	-
As at 31 December 2021		**14,963**	**185,683**	**390,120**	-	-	**3,260**	-	**594,026**	**594,026**

Company statement of changes in equity for the year ended 31 December

	Note	Share capital	Share premium	Accumulated losses	Proposed dividends	Other reserves	Total
		Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
At 1 January 2020		14,963	185,683	12,623	-	12,113	225,382
Profit for the year		-	-	(240)	-	-	(240)
Transfer from other reserves		-	-	12,113	-	(12,113)	-
Transactions with shareholders:							
Dividends proposed	17	-	-	(37,651)	37,651	-	-
At 31 December 2020		**14,963**	**185,683**	**(13,155)**	**37,651**	-	**225,142**
At 1 January 2021		**14,963**	**185,683**	**(13,155)**	**37,651**	-	**225,142**
Profit for the year		-	-	**11,097**	-	-	**11,097**
Transactions with shareholders:							
Dividends paid		-	-	-	**(13,000)**	-	**(13,000)**
Proposed dividends adjustment		-	-	**24,651**	**(24,651)**	-	-
Dividends proposed	17	-	-	-	-	-	-
At 31 December 2021		**14,963**	**185,683**	**22,593**	-	-	**223,239**

Consolidated statement of cash flows for the year ended 31 December

	Note	2021	2020
		Ushs M	Ushs M
Operating activities:			
Interest receipts		**365,454**	324,654
Interest payments		**(106,057)**	(107,257)
Fee and commission receipts		**62,500**	50,773
Net trading and other income received		**30,835**	18,995
Recoveries on loans previously written off	23	**3,460**	2,804
Recoveries from other assets measured at FVTPL		**2,002**	486
Interest paid on lease liability		**(2,040)**	(986)
Cash payments to employees and suppliers		**(215,819)**	(120,605)
Income tax paid		**(14,377)**	(17,977)
Cash from operating activities before changes in operating assets and liabilities		**125,958**	150,887
Changes in operating assets and liabilities			
(Increase) / decrease in government and other securities		**(35,284)**	(66,376)
Increase in Bank of Uganda cash reserve requirement		**890**	(46,050)
Increase in loans and advances to customers		**266,906**	(235,993)
Decrease/(increase) in other assets		**(10,164)**	3,609
Decrease in balances due to other banks		**(10,968)**	966
(Decrease)/increase in customer deposits		**(313,142)**	556,311
Increase in other liabilities		**(5,933)**	5,547
Net cash flows from operating activities		**18,263**	368,901
Investing activities			
Purchase of property and equipment		**(7,069)**	(20,813)
Purchase of investment property		**(14)**	(145)
Purchase of intangible assets		**(6,387)**	(12,644)
Proceeds from sale of property and equipment		**473**	297
Net cash flows used in investing activities		**(12,997)**	(33,305)
Financing activities			
New borrowings received		**60,714**	19,645
Principle paid on borrowings		**(96,381)**	(74,457)
Principle paid on lease liability		**(11,868)**	(31,169)
Dividends paid to shareholders		**(13,000)**	-
Net cash flows used in financing activities		**(60,535)**	(85,981)
Net increase / (decrease) in cash and cash equivalents		**(55,269)**	249,615
Unrealised gain on cash and cash equivalents		**294**	518
Cash and cash equivalents at start of year		**597,841**	347,708
Cash and cash equivalents at end of year	45	**542,866**	597,841

Company statement of cash flows for the year ended 31 December

	Note	2021	2020
		Ushs M	Ushs M
Operating activities:			
Interest receipts		**145**	13
Interest payments		**(904)**	(2,821)
Dividend income		**15,000**	-
Fees and commissions		**602**	526
Net foreign exchange and other income received		**6,241**	6,235
Cash payments to employees and suppliers		**(3,979)**	(1,908)
Income tax paid		**(6)**	-
Cash from operating activities before changes in operating assets and liabilities		**17,099**	2,045
Changes in operating assets and liabilities			
Increase/(decrease) in amounts due to group companies		**(1,299)**	1,680
Increase in other assets		**168**	-
(Decrease)/increase in other liabilities		**(410)**	(4,932)
Net cash flows from operating activities		**15,558**	(1,207)
Investing activities			
Purchase of investment property		**(190)**	(360)
Net cash flows used in investing activities		**(190)**	(360)
Financing activities			
New borrowings received		**500**	10,000
Principle paid on borrowings		**(220)**	(9,947)
Dividends paid to shareholders		**(13,000)**	-
Net cash flows used in financing activities		**(12,720)**	53
Net increase / (decrease) in cash and cash equivalents		**2,648**	(1,514)
Unrealised gain on cash and cash equivalents		**37**	(3)
Cash and cash equivalents at start of year		**197**	1,714
Cash and cash equivalents at end of year	45	**2,882**	197

1. General information

dfcu Limited ('the Company') is incorporated in Uganda under the Companies Act of Uganda as a public limited liability company and is domiciled in Uganda. Some of the Company's shares are listed on the Uganda Securities Exchange (USE). The Company is domiciled in Uganda and the address of its registered office is:

Plot 26 Kyadondo Road
P.O. Box 2767
Kampala, Uganda

For the Companies Act of Uganda reporting purposes, the balance sheet is represented by the consolidated and separate statement of financial position and the profit and loss account is represented by the consolidated and separate statement of comprehensive income in these consolidated and separate financial statements.

2. Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRS). They were authorised for issue by the Company's board of directors on 25 March 2022. Details of the Group's accounting policies are included in Notes 4 and 5.

The consolidated and separate financial statements are presented in Uganda Shillings (Ushs), which is the Group's functional currency. All amounts have been rounded to the nearest million (Ushs M), unless otherwise indicated.
The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies included in Note 4 and 5.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated and separate financial statements, are disclosed in note 3.

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 7

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The Group considered the impact of COVID-19 in preparing these financial statements. While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement within those areas due to the evolving nature of the pandemic and the limited recent experience of the economic and financial impacts of such an event.

In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

3. Significant accounting judgements, estimates and assumptions (continued)

Impairment losses on financial assets
The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Refer to Note 5(l) for further information on determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Going concern

The Group's directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.
For further details about determination of fair value please see Note 6E.

Effective Interest Rate (EIR) method

The Group's EIR method recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the Group's base rate and other fee income/expense that are integral parts of the instrument. Refer to note 5(C) for further information on the Group's policy.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Uganda tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer to Note 5(L) for further information on recognition of deferred tax assets.

Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory assessments, arising in the ordinary course of the Group's business.
When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

For further details on provisions and other contingencies see Note 5(X).

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Group's functional currency).The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

4. Changes in significant accounting policies

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective on or after 1 January 2021. The Group applied Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) for the first time. The nature and effect of the changes as a result of adoption of these amendments are described below. Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the Group's financial statements.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 (effective for reporting periods beginning on or after 1 April 2021)
Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (effective for reporting periods beginning on or after 1 April 2021)

'Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2)

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a Risk Free Rate (RFR).

The Phase 2 Amendments provide the following changes in respect of financial instruments that are directly required by the Reform:

- A practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted
- Reliefs from discontinuing hedge relationships
- Temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component
- Additional IFRS 7 disclosures

Regarding changes in the basis for determining the contractual cash flows, in its Phase 2 Amendments, the IASB identified four ways that changes in the basis for determining the contractual cash flows of a financial instrument might be made in order to achieve IBOR Reform:

- By amending the contractual terms (for instance, to replace a reference to an IBOR with a reference to an RFR)
- Through activation of an existing fallback clause in the contract
- Without amending the contractual terms, by changing the way that an interest rate benchmark is calculated
- A hedging instrument may alternatively be changed as required by the Reform by closing out an existing IBOR-related derivative and replacing it with a new derivative with the same counterparty, on similar terms except referencing an RFR or by combining the existing IBOR-related derivative with a new basis swap that swaps the existing referenced IBOR for the RFR.

The first three of these types of changes to the basis for determining contractual cash flows may have an effect on how interest is recognised on financial instruments recorded at amortised cost or at fair value through other comprehensive income. The fourth mainly affects hedge accounting, but all four are relevant to the assessment as to whether the change to the basis for determining contractual cash flows results in derecognition.

In respect to changes in the rate of interest, if an IBOR is amended to refer to an RFR, the Phase 2 Amendments require, as a practical expedient, for changes to cash flows that relate directly to the Reform to be treated as changes to a floating interest rate, i.e., the EIR is updated to reflect the change in an interest rate benchmark from IBOR to an RFR without adjusting the carrying amount. In effect, the change is treated as akin to a movement in the market rate of interest. The use of the practical expedient is subject to two conditions: First, the change in the basis for determining contractual cash flows must be a 'direct consequence of the Reform'; and Second, the new basis for determining the contractual cash flows must be 'economically equivalent' to the previous basis immediately preceding the change.

In respect to derecognition due to modification of non-derivative financial instruments, as addressed in IFRS 9 for financial liabilities, the key requirement is that a modification that results in a 'substantial change' in the expected cash flows will lead to the derecognition of the original liability and the recognition of a new one.

The Phase 2 Amendments only require an assessment of whether the derecognition criteria apply if changes are made to the financial instrument beyond those that qualify for the practical expedient discussed above.

It follows that changes that qualify for the practical expedient will not be regarded as sufficiently substantial that the instrument would be derecognised. However, after an entity applies the practical expedient, it must then separately assess any further changes that are not required by the Reform (e.g., a change in credit spread or a maturity date) to determine if they would result in derecognition.

In respect to classification of financial assets, any new financial assets, or any that have been derecognised and a new one recognised, because they have been subject to substantial modification as discussed above will need to be classified to determine their accounting treatment. A financial asset may only be accounted for at amortised cost or at fair value through other comprehensive income (FVOCI) if, at original recognition, the cash flows represent Solely Payment of Principal and Interest (SPPI). The Company will, therefore, need to apply judgement in assessing whether there are any modifications to the time value of money element in replacement RFRs and, if there are, whether these modifications will cause a financial asset to fail the SPPI test.

The Phase 2 Amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. Application is retrospective although hedge relationships may not be designated retrospectively.

The Phase 2 Amendments also affected IFRS 16 Leases and IFRS 4 Insurance Liabilities. The amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9.

Consequential amendments were made by the Phase 2 Amendments to IFRS 7, to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. As a result, entities should disclose information about: The nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, and how the entity manages those risks; and their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The Group has borrowing facilities for which interest is charged basing on country risk premiums. The nature of the risks arising from the reform could include changes in the amount of cash flows in respect to the interest paid on the affected borrowing facilities, for example, if the changes in interest rates because of the reform result into different cash flow requirements. The Group's management and directors are currently understanding the reform and the available alternative benchmark rates and expect to start discussions with the Group's lenders thereafter. As such, the extent of the risks to which the Group is exposed had not yet been quantified at the time of issuing these financial statements. However, the risks are expected to be managed by discussing with and engaging the lenders to ensure that changes in interest rates due to the reform do not result into material changes in the net cost of borrowing.

The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted. As of 31 December 2021, the Bank's lenders had not communicated any alternative rates to be applied and there was therefore no impact on the financial statements. As at 31 December 2021, the Group had outstanding LIBOR loan exposures amounting to Ushs 100 million and outstanding LIBOR obligations amounting to Ushs 45 million.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.
The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial

liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
The Group is still assessing the impact the amendments will have on the financial statements.

Standards issued but not yet effective that are not expected to have a material impact on the Group's financial statements include:

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023)
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual reporting periods beginning on or after 1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective for annual reporting periods beginning on or after 1 January 2022)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time
- Adopter (effective for annual reporting periods beginning on or after 1 January 2022)
- IAS 41 Agriculture – Taxation in fair value measurements (effective on or after the beginning of the first annual reporting period beginning on or after 1 January 2022)
- Definitions of Accounting Estimates – Amendments to IAS 8 (effective for reporting periods beginning on or after 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective for reporting periods beginning on or after 1 January 2023)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (postponed indefinitely)

5. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated and seperat financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Consolidation

The consolidated financial statements comprise the financial statements of dfcu Limited and its subsidiary, dfcu Bank Limited as at 31 December 2021.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity (investee) and has the ability to affect those returns through its power over the entity. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. Dividend income is recognised when the right to receive payment is established.

b) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Specific borrowings are funds borrowed specifically for the purpose of obtaining a qualifying asset. For specific borrowings, the actual costs incurred are capitalised. If the Group temporarily reinvests some funds, investment income earned should be deducted from the borrowing costs eligible for capitalisation. All borrowings that are not specific represent general borrowings. Costs eligible for capitalisation are calculated by applying a capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. The amount of borrowing costs eligible for capitalisation is always limited to the amount of actual borrowing costs incurred during the period. Where the parent company finances the construction of a qualifying asset using an intra-group loan, the capitalisation rate is adjusted to reflect how the qualifying asset was financed from the perspective of the Group as a whole.

c) Operating income

i. Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.
The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.
For information on when financial assets are credit-impaired, see Note 5(i)(vii) and 6B.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases.
Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost
Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.
Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

The Effective Interest Rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/ expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

d) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income, which includes fees and commissions from ledger fees, money transfers, low balance fees, statement fees, unpaid cheques charges, URA licensing, ATM commissions, letters of credit fees, letters of guarantee, telegraphic transfer fees, and other fees and commissions- is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

A contract with a customer that results in a recognised financial instrument in the Group's consolidated and separate financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.
The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. More details on the various type of fees and commissions recognised in the scope of IFRS 15 are included in Note 13.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.
Contract balances

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- 'Fees and commissions receivables' included under 'Other assets', which represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.
- 'Unearned fees and commissions' included under 'Other liabilities', which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Group performs.

e) Net trading and other income

'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences, for financial assets and financial liabilities held for trading.

f) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

g) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment. Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

h) Foreign currency translation

Items included in the consolidated and separate financial statements are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The consolidated and separate financial statements are presented in Uganda Shillings which is the Group's functional currency. Foreign currency transactions are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.
Foreign currency differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

i) Financial assets and liabilities

i. Recognition and initial measurement

Date of recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated (e.g., Loans and advances to customers are recognised when funds are transferred to the customers' accounts and the Bank recognises balances due to customers when funds are transferred to the Bank). All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or reduced by transaction costs that are directly attributable to its acquisition or issue respectively, for an item not at fair value through profit or loss. The fair value of a financial instrument at initial recognition is generally its transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

ii. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.
  A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.
All other financial assets are classified as measured at FVTPL.
In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

- The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration RE the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from

specified assets (e.g. non-recourse loans); and

- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in (O). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.
If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.
If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Financial assets

If the terms of a financial asset were modified, then the Group evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

vi. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.
When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price- i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments- e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure - are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.
The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii. Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments as they are classified and measured at FVPL

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:
Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the EGL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

Measurement of impairment

The Group calculates ECL based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. Details are included in Note 6B.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. Details are included in Note 6B.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. Details are included in Note 6B.

When estimating the ECL, the Group considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs, as set out in 6B. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For debt security held at fair value through OCI (FVOCI): If in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired debt security at FVOCI was always recognised in OCI.

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on investment securities at FVOCI were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Group also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

viii. Designation at fair value through profit or loss
Financial assets

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial liabilities

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 7 sets out the amount of each class of financial asset or financial liability that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Ugandan Financial Institutions Act 2004 requirements

In addition to the measurement of impairment losses on loans and advances in accordance with International Financial Reporting Standards as set out above, the Group is also required by the Financial Institutions Act, 2004 to estimate losses on loans and advances as follows:

i) A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Financial Institutions Credit Classification Regulations, 2005, as follows:
a) substandard assets with arrears period between 90 and 179 days – 20%;
b) doubtful assets with arrears period between 180 days and 364 days – 50%;
c) loss assets with arrears period over 365 days – 100%.
In addition to the arrears period, companies must follow subjective criteria in arriving at the classification attributable to the assets.
ii) A general provision of at least 1% of their total outstanding credit facilities net of specific provisions.

Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act, 2004 exceed amounts determined in accordance with IFRS, the excess is taken to a regulatory reserve as an appropriation of retained earnings. Otherwise, the regulatory reserve is reduced to the extent that the provision for impairment determined in accordance with IFRS exceeds that determined in accordance with the Financial Institutions Act, 2004 and the amount taken back to retained earnings.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for loan impairment in profit or loss.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

ix. Staff loans
In the normal course of business, the Group advances loans to employees at below market rate. These loans are measured initially at fair value. The favourable loan term offered to employees are dependent on the continued employment and therefore relate to services to be rendered in future periods.
The interest benefit is forfeited if the employee leaves the Group. The benefit is a long term benefit to the employees and the discount arising from the difference between the nominal value and the market value is treated as a prepayment and expensed in profit or loss in the period in which the services are rendered.

j) Property, equipment and right-of-use assets

i. Recognition and measurement

Property and equipment is stated at cost excluding the costs of day–to–day servicing, net of accumulated depreciation and/or accumulated impairment losses, if any. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

ii. Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation of owned assets is calculated using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Buildings	40 years
Furniture, fittings and equipment	6 – 7 years
Computer equipment	3 – 5 years
Motor vehicles	4 years
Work-in-progress	Not depreciated

Leasehold improvements are amortised over the shorter of the estimated useful life of the improvements, and the remaining lease term.

Management and directors review the residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is prospectively adjusted.

k) Intangible assets

i. Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Goodwill: that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Software: acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Intangible assets with finite lives are amortised over their useful economic lives using the straight line method and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. The estimated useful life of the Bank's software is 5 years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Amortisation methods, residual values and useful lives are reviewed at each reporting period and adjusted if appropriate.

iv. Derecognition

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised profit or loss when the asset is derecognised.

l) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

iii. Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made. The Group considers IFRIC 23 Uncertainty over Income Tax Treatments in applying judgement for any open tax matters.

The consideration is of whether it is probable that the tax authority will accept an uncertain tax treatment. If the Group concludes that the position is not probable of being accepted, the effect of the uncertainty is reflected in the Group's accounting for income taxes.

m) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk changes in fair value, and are used by the Group in management is its short-term commitments. Cash and cash equivalents excludes the cash reserves requirement held with the central Bank.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

n) Employee benefits

(i) Retirement benefit obligations

The Group makes contributions to a defined contribution benefit scheme for its eligible employees. A defined contribution benefit scheme is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity (fund). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iii) Other entitlements

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services; they exclude termination benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under a short-term cash bonus only if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and if the obligation can be measured reliably.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

o) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.
Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 28 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank's policy as described in Note 5(v) - Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents lease liabilities in 'other liabilities' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

p) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated and company statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

q) Dividends

Dividends on ordinary shares are recognised as a liability and charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all any potentially dilutive ordinary shares which comprise share options granted to employees

s) Loans and advances

'Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental

direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

'Loans and advances' were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Group did not intend to sell immediately or in the near term.
Loans and advances to banks were classified as loans and receivables. Loans and advances to customers included:

- those classified as loans and receivables;
- those designated as at FVTPL; and
- finance lease receivables.

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Group chose to designate the loans and advances as measured at FVTPL as described in (J)(viii), they were measured at fair value with face value changes recognised immediately in profit or loss.

Loans and advances also included finance lease receivables in which the Group was the lessor.

t) Financial guarantees and loan commitments

Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments:
- the Group recognises a loss allowance;

Liabilities arising from financial guarantees and loan commitments are included within provisions

Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off statement of financial position transactions and disclosed as contingent liabilities. Estimates of the outcome and financial effect of contingent liabilities is made by management based on the information available up to the date the consolidated and separate financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss

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u) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

v) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

w) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's consolidated and separate financial statements.
The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.
Deposits and Borrowings are the Group's sources of debt funding.

Deposits and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest rate method. Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

x) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

i. Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

ii. Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

iii. Group levies

A provision for Group levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

y) Investment securities

The 'investment securities' caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

z) Share capital and reserves

i. Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Retained earnings / accumulated losses

Retained earnings relates to accumulated prior year earnings/ losses adjusted for profit or loss for the year, proposed dividend and transfers to and from the regulatory credit risk reserves.

aa) Investment property

Property held for long term rental yields and not occupied by the Group is classified as investment property. A portion of the property at Plot 26 Kyadondo is occupied by the Company's subsidiary, dfcu Bank Limited, and is classified as property, plant and equipment in the consolidated and separate financial statements. The remaining portion is held for long term rental yields and is accounted for as investment property.

An investment property is defined under IAS 40, Investment property, as a property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation. Depreciation of investment property is calculated using the straight-line method over their estimated useful lives at a rate of 2.5%, and is recognised in profit or loss.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any). Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the net carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

6. Financial risk management

The Group's financial assets are classified as amortised cost, fair value through profit and loss, and fair value through other comprehensive income and all financial liabilities are measured at amortised cost. The carrying amounts for each class of financial assets and financial liabilities are included in the table below;

	Note	2021	2020
Financial assets		**Ushs M**	**Ushs M**
Amortised cost:			
Cash and balances with Bank of Uganda	20	**516,802**	606,750
Deposits and balances due from other banks	21	**229,524**	195,441
Loans and advances to customers	22	**1,508,410**	1,775,316
Investment securities: Measured at amortised cost	24	**212,441**	257,382
Other assets: Measured at amortised cost excluding prepayments	26	**43,728**	9,748
		2,510,905	2,844,637
FVOCI			
Investment securities: Measured at fair value	24	**339,849**	259,623
		339,849	259,623
FVTPL			
Mandatorily at FVTPL			
Trading assets	25	**6,700**	58,357
Equity investments	23	**6,563**	8,513
Designated at FVTPL			
Other assets: Measured at fair value	26	**72,664**	109,892
Derivative financial instruments	44(b)	**647**	-
		86,574	176,762
		2,937,328	3,281,022
Financial liabilities			
Measured at FVTPL			
Derivative financial instruments	44(b)	**308**	97
Measured at amortised cost:			
Customer deposits	32	**2,282,205**	2,595,347
Balances due to other banks	33	-	10,968
Borrowed funds	37	**190,614**	217,219
Special funds	36	**1,193**	1,193
Other financial liabilities	34	**45,788**	58,175
		2,519,800	2,882,902
		2,520,108	2,882,999

		Company	
	Note	**2021**	2020
		Ushs M	Ushs M
Financial assets			
Measured at amortised cost:			
Amounts due from Group Companies	46(b)	**2,882**	197
Other assets: Measured at amortised cost excluding prepayments	26	**95**	17
		2,977	214
Financial liabilities			
Measured at amortised cost:			
Amounts due to Group Companies	46(a)	**14,633**	15,932
Borrowed funds	37	**5,239**	4,502
Other financial liabilities	34	**3,108**	3,517
		22,980	23,951

6A Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit, and performance and other bonds.

The Group also trades in financial instruments. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. The fair value gains or losses arising from trading in financial instruments are recognised in profit or loss under net trading and other income. Foreign exchange and interest rate exposures and associated derivatives are normally economically hedged by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

6B Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Group by failing to pay amounts in full when due. Impairment allowances are provided for losses that have been incurred at the reporting date. Credit risk is the most important risk for the Group's business. Therefore, management carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit risk management team, which reports regularly to management and the Board.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a portion is personal lending where no such facilities can be obtained.

Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The Group's policy is to hold cash cover for most of the commitments and hence the credit risk arising from such commitments is less than for direct borrowing. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than for direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group makes such commitments at market rates. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

6B Credit risk (continued)

Maximum exposure to credit risk before collateral held

	Group	
	2021	**2020**
	Ushs M	**Ushs M**
Balances with Bank of Uganda (note 20)	**357,698**	454,611
Deposits and balances due from banks (note 21)	**229,524**	195,441
Loans and advances to customers (note 22)	**1,508,410**	1,775,316
Government securities (notes 24 and 25)	**558,990**	575,362
Other assets excluding prepayments (note 26)	**116,392**	119,640
Credit risk exposures on off-statement of financial position items (note 42)		
- Guarantee and performance bonds	**443,974**	271,869
- Commitments to lend	**26,650**	37,289
	3,241,638	3,429,528

	Company	
	2021	**2020**
	Ushs M	**Ushs M**
Amounts due from Group Companies (note 46(b)	**2,882**	197
Other financial assets (note 26)	**95**	17
	2,977	214

The above represents the worst-case scenario of the Group and Company's credit risk exposure as at 31 December 2021 and 2020, without taking account collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.
As shown above, 47% of the total maximum exposure is derived from loans and advances to banks and customers (2020: 52%), whilst 17% represents investments in government securities (2020: 17%).
Loans and advances to major corporate borrowers and to individuals borrowing more than Ushs 30 million are secured by collateral in the form of charges over land and buildings and / or plant and machinery or corporate guarantees.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- The Group exercises stringent controls over the granting of new loans;
- 76% of the loans and advances portfolio are neither past due nor impaired;
- 96% of the loans and advances portfolio are backed by collateral; and
- 99% of investments in debt securities are government securities and only 1% in a high quality corporate bond.

Loans and advances are summarised as follows:	**2021**	**2020**
	Ushs M	**Ushs M**
Neither past due nor impaired	**1,266,220**	1,501,335
Past due but not impaired	**145,399**	242,752
Impaired	**274,049**	94,095
Gross	**1,685,668**	1,838,182
Less: Allowance for impairment (note 22)	**(177,258)**	(62,866)
Net carrying amount	**1,508,410**	1,775,316

No other assets of the Group or Company are either past due or impaired.

6B Credit risk (continued)

Loans and advances neither past due nor impaired

The credit quality of loans and advances that were neither past due nor impaired can be analysed by reference to the internal rating system adopted by the Group:

	2021	2020
	Ushs M	Ushs M
Grades 1-9 (Low-fair / higher risk)	**1,266,220**	1,501,335

Loans and advances past due but not impaired
Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2021	2020
	Ushs M	Ushs M
Past due up to 30 days	**79,383**	202,023
Past due 31 - 60 days	**55,494**	31,762
Past due 61 - 89 days	**10,522**	8,967
	145,399	242,752

Loans and advances individually impaired

The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that borrowers provide it. The Group may take collateral in the form of a first charge over real estate, machinery and equipment, automobiles and other liens and guarantees. Because of the Group's focus on customers' credit worthiness, the Group does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

At 31 December 2021, the gross carrying amount of impaired loans and advances to customers amounted to Ushs 284,049 million (2020: Ushs 94,095 million) and the value of identifiable collateral held against those loans and advances amounted to Ushs 98,260 million (2020: Ushs 58,704 million).

Below is a summary of the impaired loans with the respective value of security;

	Loans		Overdrafts	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Loans and advances	**273,594**	93,529	**455**	566
Fair value of collateral	**98,260**	58,704	**-**	239

i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

6B Credit risk (continued)

The table below provides a mapping of the Group's internal credit risk grades.

Group's internal rating grade	Internal rating description	IFRS 9 Staging
1-6	Low-fair risk	Stage 1
7-9	Higher risk	Stage 2
10	Substandard	Stage 3
11	Doubtful	Stage 3
12	Loss	Stage 3

Loans and advances to customers at amortised cost

	2021			
	Ushs M			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Grades 1-6 Low-fair risk	**1,266,220**	**-**	**-**	**1,266,220**
Grades 7-9 Higher risk	**-**	**145,399**	**-**	**145,399**
Grade 10: Sub standard	**-**	**-**	**91,168**	**91,168**
Grade 11: Doubtful	**-**	**-**	**156,022**	**156,022**
Grade 12: Loss	**-**	**-**	**26,859**	**26,859**
	1,266,220	**145,399**	**274,049**	**1,685,668**
Loss allowance	**(10,748)**	**(9,724)**	**(156,786)**	**(177,258)**
Carrying amount	**1,255,472**	**135,675**	**117,263**	**1,508,410**
	2020			
	Ushs M			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Grades 1-6 Low-fair risk	1,501,335	-	-	1,501,335
Grades 7-9 Higher risk	-	242,752	-	242,752
Grade 10: Sub standard	-	-	25,991	25,991
Grade 11: Doubtful	-	-	29,951	29,951
Grade 12: Loss	-	-	38,153	38,153
	1,501,335	242,752	94,095	1,838,182
Loss allowance	(10,603)	(4,888)	(47,375)	(62,866)
Carrying amount	1,490,732	237,864	46,720	1,775,316

Balances with Bank of Uganda

	2021			
	Ushs M			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Grades 1-6 Low-fair risk	**357,800**	**-**	**-**	**357,800**
Loss allowance	**(102)**	**-**	**-**	**(102)**
Carrying amount	**357,698**	**-**	**-**	**357,698**
	2020			
	Ushs M			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Grades 1-6 Low-fair risk	454,829	-	-	454,829
Loss allowance	(218)	-	-	(218)
Carrying amount	454,611	-	-	454,611

6B Credit risk (continued)

Loans and advances to other banks

	2021 Ushs M			
	Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	229,623	-	-	229,623
Loss allowance	(99)	-	-	(99)
Carrying amount	229,524	-	-	229,524

	2020 Ushs M			
	Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	195,465	-	-	195,465
Loss allowance	(24)	-	-	(24)
Carrying amount	195,441	-	-	195,441

Other Assets: Receivables excluding prepayments

	2021 Ushs M		
	Lifetime ECL not credit impaired	Credit impaired	Total
Grades 1-6 Low-fair risk	117,197	-	117,197
Loss allowance	(805)	-	(805)
Carrying amount	116,392	-	116,392

	2020 Ushs M		
	Lifetime ECL not credit impaired	Credit impaired	Total
Grades 1-6 Low-fair risk	120,183	-	120,183
Loss allowance	(543)	-	(543)
Carrying amount	119,640	-	119,640

Investment securities at amortised cost

	2021 Ushs M			
	Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	212,586	-	-	212,586
Loss allowance	(145)	-	-	(145)
Carrying amount	212,441	-	-	212,441

	2020 Ushs M			
	Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	257,508	-	-	257,508
Loss allowance	(126)	-	-	(126)
Carrying amount	257,382	-	-	257,382

6B Credit risk (continued)

Investment securities measured at FVOCI

The expected credit loss relating to investment securities measured at FVOCI amounted to Ushs 84 (2020: Ushs 57 million) and is recorded in the OCI. (See note 41)

Cash and cash equivalents

The Group held cash and cash equivalents of Ushs 542,866 million at 31 December 2021 (2020: Ushs 597,841 million). The cash and cash equivalents are held with central bank of Uganda and financial institution counterparties that are rated at least AA-to AA+, based on Moody's ratings.

Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure				
	Note	**2021**	**2020**	**Principal type of collateral held**
		Ushs M	**Ushs M**	
Balances with Bank of Uganda	20	**357,698**	454,611	None
Deposits and balances due from banks	21	**229,524**	195,441	None
Loans and advances to retail customers:	22			
Mortgage lending		**71,154**	72,513	Residential property
Personal loans		**504,157**	174,363	None
Loans and advances to corporate customers:	22			
Asset financing		**203,854**	69,721	Property and equipment
Others		**729,245**	1,458,719	Commercial property, floating charges over corporate assets
Trading assets	25	**6,700**	58,357	None
Investment debt securities	24	**552,290**	517,005	None
Other assets excluding prepayments	26	**116,392**	119,640	None
Off balance sheet items:		-		
-Guarantee and performance bonds	42	**443,974**	271,869	None
-Undrawn commitments	42	**26,650**	37,289	None

		Company		
		2021	**2020**	**Principal type of collateral held**
		Ushs M	**Ushs M**	
Amounts due from Group Companies	46(b)	**2,882**	197	
Other assets excluding prepayments	26	**95**	17	

Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Group's focus on corporate customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Group obtains appraisals of collateral because it provides input into determining the management credit risk actions.

6B Credit risk (continued)

At 31 December 2021, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to Ushs 955,557 million (2020: Ushs 1,528,440 million) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to Ushs 98,260 million (2020: Ushs 185,556 million). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Other types of collateral and credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

31 December 2021	Note	Maximum exposure to credit risk	Total collateral	Net exposure	Associated ECL
		Ushs M	Ushs M	Ushs M	Ushs M
Balances with Bank of Uganda	20	357,800	-	357,800	102
Deposits and balances due from banks	21	229,524	-	229,524	99
Loans and advances to customers	22	1,685,668	98,260	1,508,410	177,258
Trading assets	25	6,700	-	6,700	-
Investment debt securities at fair value through other comprehensive income	24	339,849	-	339,849	-
Investment securities at amortised cost	24	212,441	-	212,441	145
Other assets excluding prepayments	26	116,392	-	116,392	805
Off-statement of financial position items:					
-Guarantee and performance bonds	42	443,974	-	443,974	102
-Undrawn commitments	42	26,650	-	26,650	-
		3,418,998	98,260	3,241,740	178,511

31 December 2020	Note	Maximum exposure to credit risk	Total collateral	Net exposure	Associated ECL
		Ushs M	Ushs M	Ushs M	Ushs M
Balances with Bank of Uganda	20	454,611	-	454,611	218
Deposits and balances due from banks	21	195,441	-	195,441	23
Loans and advances to customers	22	1,838,182	185,556	1,775,316	62,866
Trading assets	25	58,357	-	58,357	-
Investment debt securities at fair value through other comprehensive income	24	259,623	-	259,623	-
Investment securities at amortised cost	24	257,382	-	257,382	126
Other assets excluding prepayments	26	119,624	-	119,624	543
Off-statement of financial position items:					
-Guarantee and performance bonds	42	271,869	271,869	271,869	88
-Undrawn commitments	42	37,289	-	37,289	-
		3,429,378	457,425	3,429,512	63,864

6B Credit risk (continued)

		Company			
31 December 2021	**Note**	**Maximum exposure to credit risk**	**Total collateral**	**Net exposure**	**Associated ECL**
		Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
Amounts due from Group Companies	46(b)	**2,882**	**-**	**2,882**	**-**
Other assets excluding prepayments	26	**95**	**-**	**95**	**-**
		2,977	**-**	**2,977**	**-**
31 December 2020					
Amounts due from Group Companies	46(b)	197	-	197	-
Other assets excluding prepayments	26	17	-	17	-
		214	-	214	-

ii. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment
See accounting policy in Note 5.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.
Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files-e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes, data from credit reference agencies, press articles, changes in external credit ratings, actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	Internally collected data on customer behavior- e.g. utilisation of credit card facilities Affordability metrics External data from credit reference agencies, including industry-standard credit scores	Payment record - this includes overdue status as well as a range of variables about payment ratios Utilisation of the granted limit Requests for and granting of forbearance Existing and forecast changes in business, financial and economic conditions

6B Credit risk (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for corporate exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process.

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if:

- Quantitative; the counterparty is past due for more than 30 days
- Qualitative; the account has been restructured for financial distress reasons
- Qualitative; Poor outlook for the specific sector or industry and any other relevant available information such as Credit Bureau data

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

As a backstop, and as required by IFRS 9, the Group presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on its contractual payments.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- An exposure is forborne or modified due to financial difficulties of the borrower
- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.
Incorporation of forward-looking information

6B Credit risk (continued)

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the median scenario reflecting a most-likely outcome, and two less likely scenarios, one upside and one downside. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key driver for credit risk for the portfolio, retail unsecured and corporate models is the consumer price index (CPI).
The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Key drivers	**ECL Scenario**	**2021**	**2022**	**2023**	**2024**	**2025**
CPI trends	Upside	116	118	120	123	126
	Base case	115	117	119	122	125
	Downside	114	116	118	121	124

31 December 2020						
Key drivers	**ECL Scenario**	**2020**	**2021**	**2022**	**2023**	**2024**
CPI trends	Upside	186	199	200	207	214
	Base case	187	196	201	208	215
	Downside	188	197	202	209	216

Since the beginning of the year, as the Group has reassessed the key economic indicators used in its ECL models. The Group reassessed the correlation with other macro economic variables (MEVs) with its default rates and found low correlations with other MEVs and on this basis continued to use only CPI trends. Long-term expectations however remain unchanged.

6B Credit risk (continued)

Assessment and calculation of ECL

The calculation of ECL involves significant accounting judgements, estimates and assumptions. These are set out in Note 5(i) - Financial assets and liabilities under the Summary of significant accounting policies and Note 3 - Significant accounting judgements, estimates and assumptions.

The level of estimation uncertainty has increased since 31 December 2020 as a result of the economic disruption and consequential impact of the Covid-19 pandemic. This includes significant judgements relating to:

- The selection and weighting of macro-economic scenarios;
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery;
- Determination of the impact of the macro-economic scenarios on ECL and whether the required parameters can be modelled given the unavailability of historical information for a similar event;
- Identification and assessment of significant increases in credit risk and impairment especially for customers who have restructured their facilities and the inherent limitations in data availability to facilitate a reliable segmentation.

Impact on modelled ECL allowance

The Group's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the lack of experience of similar events could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Group expects that post-model adjustments will be applied for the foreseeable future.
Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December 2021 are set out in the following table:

	Modelled ECL	Post-model adjustments	Management overlays	Total ECL	Adjustments as a % of total ECL
	Ushs m	Ushs m	Ushs m	Ushs m	
31 December 2021					
Total corporate and retail lending	**11,219**	**6,669**	**17,887**	**35,775**	**68%**
31 December 2020					
Total corporate and retail lending	49,036	7,544	6,286	62,866	28%

Post-model adjustments

Post-model adjustments (both positive and negative) represent adjustments in relation to data and model limitations as a result of the Covid-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level.

Management overlays

Management overlays reflect the significant uncertainty as a consequence of the Covid-19 pandemic. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 5(i)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.
The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

The following tables provide a summary of the Group's forborne assets, which are all under Stage 2.
There are none under Stage 3.

31 December 2021			**Stage 2**		
	Gross carrying amount	**Temporary modification to T&Cs**	**Permanent modification to T&Cs**	**Refinancing**	**Total performing restructured loans**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**	**Ushs M**
Corporate loans	**926,394**	**12,829**	**91,367**	**-**	**104,196**
Retail loans	**472,533**	**19,927**	**27,408**	**-**	**47,335**
	1,398,927	**32,756**	**118,775**	**-**	**151,531**

31 December 2020			**Stage 2**		
	Gross carrying amount	**Temporary modification to T&Cs**	**Permanent modification to T&Cs**	**Refinancing**	**Total performing restructured loans**
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Corporate loans	163,986	8,199	19,678	11,479	39,357
Retail loans	78,766	14,966	11,027	6,301	32,294
	242,752	23,165	30,705	17,780	71,651

6 Financial risk management (continued)
6B Credit risk (continued)

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

	Post- modification		Pre-modification	
	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
	Ushs m	Ushs m	Ushs m	Ushs m
31 December 2021				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	**13,523**	**49**	**7,903**	**151**
Facilities that reverted to (Stage 2/3) LTECL having once cured	**49,796**	**4,097**	**152**	**14**
Total	**63,319**	**4,146**	**8,055**	**165**
31 December 2020				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	59,523	874	42,524	579
Facilities that reverted to (Stage 2/3) LTECL having once cured	23,527	758	19,527	258
Total	83,050	1,632	62,051	837

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading, 'Generating the term structure of PD'.
LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

6 Financial risk management (continued)
6B Credit risk (continued)

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.
Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- loan amount
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

2021		**External benchmarks used**		
	Exposure Ushs		**Moody's Rating**	**S&P Rating**
	2021	**2020**	**PD**	**LGD**
Government securities – Amortised cost	**212 bn**	257 bn	**2.8% - 21.4%**	**6%**
Government securities – FVOCI	**339 bn**	259 bn	**2.8% - 21.4%**	**6%**

i. Impaired financial assets

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

Loans and investment debt securities that were past due but not impaired

Loans and investment debt securities that were 'past due but not impaired' are those for which contractual interest or principal payments were past due but the Group believed that impairment was not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group. The amounts disclosed exclude assets measured at FVTPL.

6 Financial risk management (continued)
6B Credit risk (continued)

ii. Concentrations of credit risk
The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and credit commitments is shown below.

	2021		2020	
	Loans and advances	Credit Commitments	Loans and advances	Credit Commitments
As at 31 December	**%**	**%**	**%**	**%**
Agriculture	**18%**	**4%**	16%	12%
Manufacturing	**9%**	**6%**	9%	9%
Trade and commerce	**14%**	**18%**	12%	14%
Transport and communications	**7%**	**36%**	8%	30%
Building and construction	**14%**	**15%**	17%	19%
Leisure, hotels and accommodation	**3%**	**0%**	4%	0%
Home loans	**3%**	**0%**	3%	0%
Private individual	**12%**	**0%**	11%	0%
Real estate	**14%**	**6%**	14%	1%
Schools	**5%**	**6%**	5%	0%
Other	**1%**	**9%**	1%	15%
	100%	**100%**	100%	100%

As at 31 December 2021 and 2020, the Group had no exposures to a single borrower or group of related borrowers exceeding 25% of the core capital of the subsidiary (dfcu Bank Limited).

6C Liquidity risk

Liquidity risk is the risk that the Group is unable to meet payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group's objective to managing liquidity is to ensure that there will always be sufficient liquidity to meet its liabilities and other obligations when they fall due under both normal and stressed conditions in line with the Group's Assets and Liabilities Management (ALM) policies without incurring unacceptable losses or risking damage to the Group's reputation.

ALM policies are approved by the Group's Assets and Liabilities Board Committee (ALCO) and the Board of Directors. The purpose of ALCO is to stipulate and monitor the business philosophy of the Group as to the cost, structure and mix of assets and liabilities to maximise profitability within acceptable set risk limits.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market divided by any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported Group's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

6 Financial risk management (continued)

6C Liquidity risk (continued)

	2021	2020
At 31 December	**36.3%**	36.0%
Average for the period	**34.0%**	31.0%
Maximum for the period	**41.0%**	39.0%
Minimum for the period	**28.0%**	27.0%

The table below summarises the net position as at 31 December 2021 and 31 December 2020 based on contractual maturity.

Net position as at 31 December 2021 (Group)	Up to	1-3	3-12	Over
Months	1 month	months	months	1 year
	Ushs M	Ushs M	Ushs M	Ushs M
Long / (short) Gap	**(964,313)**	**243,315**	**(149,385)**	**810,669**
Long / (short) Cumulative Gap	**(964,313)**	**(720,998)**	**(870,383)**	**(59,714)**
Cumulative Gap / Total Assets	**-31%**	**-23%**	**-28%**	**-2%**

Net position as at 31 December 2020 (Group)				
	Up to	1-3	3-12	Over
Months	1 month	months	months	1 year
	Ushs M	Ushs M	Ushs M	Ushs M
Long / (short) Gap	(735,326)	38,140	(163,928)	943,479
Long / (short) Cumulative Gap	(735,326)	(697,186)	(861,114)	82,365
Cumulative Gap / Total Assets	-21%	-20%	-25%	2%

Net position as at 31 December 2021 (Company)				
	Up to	1-3	3-12	Over
Months	1 month	months	months	1 year
	Ushs M	Ushs M	Ushs M	Ushs M
Long / (short) Gap	**(465)**	**(453)**	**(4,270)**	**(14,815)**
Long / (short) Cumulative Gap	**(465)**	**(918)**	**(5,188)**	**(20,003)**
Cumulative Gap / Total Assets	**0%**	**0%**	**-2%**	**-8%**

Net position as at 31 December 2020 (Company)				
	Up to	1-3	3-12	Over
Months	1 month	months	months	1 year
	Ushs M	Ushs M	Ushs M	Ushs M
Long / (short) Gap	(1,234)	(208)	(4,852)	(17,407)
Long / (short) Cumulative Gap	(1,234)	(1,442)	(6,294)	(23,701)
Cumulative Gap / Total Assets	-1%	-1%	-3%	-11%

6 Financial risk management (continued)

6C Liquidity risk (continued)

The following are the remaining contractual maturities financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

	Group					
	Contractual Cash flows					
2021	**Carrying Amount**	**Gross nominal inflow/ (outflow)**	**Up to 1 month**	**1-3 months**	**3-12 months**	**Over 1 year**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**	**Ushs M**	**Ushs M**
Financial liability by type						
Customer deposits	2,282,205	2,556,069	2,083,922	129,401	336,970	5,775
Derivative financial instruments	308	308	308	-	-	-
Other financial liabilities excluding lease liability	16,314	16,314	16,314	-	-	-
Lease liability	29,474	41,560	12,692	4,127	10,478	14,262
Borrowed funds	190,614	203,440	17,505	14,511	65,297	106,127
Special funds	1,193	1,193	1,193	-	-	-
Total liabilities	**2,520,108**	**2,818,884**	**2,115,620**	**148,039**	**412,745**	**126,164**
Financial assets by type						
Cash and balances with Bank of Uganda	516,802	516,802	516,802	-	-	-
Loans and advances to other banks	229,524	229,524	229,524	-	-	-
Loans and advances to customers	1,508,410	1,719,614	178,056	486,958	265,596	789,005
Government and other securities	558,990	626,068	49,393	41,025	168,830	366,820
Equity investments at fair value through profit and loss	6,563	6,563	-	-	-	6,563
Derivative financial instruments	647	647	647	-	-	-
Other assets excluding prepayments	116,392	125,045	52,154	25,301	44,898	2,692
Total assets	**2,937,328**	**3,224,263**	**1,026,576**	**553,284**	**479,324**	**1,165,080**
Net liquidity gap	**(417,220)**	**(405,379)**	**1,089,044**	**(405,245)**	**(66,579)**	**(1,038,916)**

6 Financial risk management (continued)

6C **Liquidity risk (continued)**

			Contractual Cash flows			
	Carrying	Gross nominal	Up to	1-3	3-12	Over
2020	Amount	inflow/(outflow)	1 month	months	months	1 year
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Financial liability by type						
Customer deposits	2,595,347	2,906,789	2,196,352	143,495	565,261	1,681
Balances due to other banks	10,968	10,968	10,968	-	-	-
Derivative financial instruments	97	97	97	-	-	-
Other financial liabilities excluding lease liability	22,246	22,246	6,380	-	15,866	-
Lease liability	35,929	75,729	-	15,331	22,695	37,703
Borrowed funds	217,219	231,862	16,202	1,241	67,580	146,839
Special funds	1,193	1,193	1,193	-	-	-
Total liabilities	**2,882,999**	**3,248,884**	**2,219,314**	**160,067**	**671,402**	**198,101**
Financial assets by type						
Cash and balances with Bank of Uganda	606,750	606,750	606,750	-	-	-
Loans and advances to other banks	195,441	195,441	195,441	-	-	-
Loans and advances to customers	1,775,316	2,025,839	522,693	236,521	408,694	857,931
Government and other securities	575,362	644,860	148,783	54,054	148,832	293,191
Equity investments at fair value through profit and loss	8,513	8,513	8,513	-	-	-
Other assets excluding prepayments	119,640	119,640	34,092	21,487	45,763	18,298
Total assets	**3,281,022**	**3,601,043**	**1,516,272**	**312,062**	**603,289**	**1,169,420**
Net liquidity gap	**398,023**	**352,159**	**(703,042)**	**151,995**	**(68,113)**	**971,319**

6 Financial risk management (continued)

6C Liquidity risk (continued)

		Company				
		Contractual Cash flows				
	Carrying	Gross nominal	Up to	1-3	3-12	Over
2021	**Amount**	**inflow/ (outflow)**	**1 month**	**months**	**months**	**1 year**
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Financial liability by type:						
Amounts due to Group Companies	14,633	17,120	-	-	3,821	13,300
Other financial liabilities	3,108	3,108	1,239	1,359	510	-
Borrowed funds	5,239	6,129	-	-	2,634	3,496
Total liabilities	22,980	26,357	1,239	1,359	6,965	16,796
Financial assets by type:						
Amounts due from Group Companies	2,882	2,882	2,882	-	-	-
Other assets excluding prepayments	95	95	95	-	-	-
Total assets	2,977	2,977	2,977	-	-	-
Liquidity gap	(20,003)	(23,380)	1,738	(1,359)	(6,965)	(16,796)

		Company				
		Contractual Cash flows				
	Carrying	Gross nominal	Up to	1-3	3-12	Over
2020	**Amount**	**inflow/ (outflow)**	**1 month**	**months**	**months**	**1 year**
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Financial liability by type:						
Amounts due to Group Companies	15,932	18,640	-	-	1,665	16,975
Other financial liabilities	3,517	3,517	1,448	208	936	925
Borrowed funds	4,502	5,268	-	-	2,634	2,634
Total liabilities	23,951	27,425	1,448	208	5,235	20,534
Financial assets by type:						
Amounts due from Group Companies	197	197	197	-	-	-
Other assets excluding prepayments	17	17	17	-	-	-
Total assets	214	214	214	-	-	-
Liquidity gap	(23,737)	(27,211)	(1,234)	(208)	(5,235)	(20,534)

6 Financial risk management (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

The table below analyses assets and liabilities into relevant maturity groupings based on the carrying amount as at 31 December. All figures are in millions of Uganda Shillings.

Group:	Up to	1-3	3-12	Over	Non-liquid items	Non-financial items	Total
As at 31 December 2021	1 month	months	months	1 year			
Assets	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Cash and balances with Bank of Uganda	516,802	-	-	-	-	-	516,802
Deposits and balances due from other banks	229,524	-	-	-	-	-	229,524
Loans and advances to customers	156,167	427,156	232,979	692,108	-	-	1,508,410
Government and other securities	44,101	36,629	150,742	327,518	-	-	558,990
Investment in shares	-	-	-	6,563	-	1,138	7,701
Other assets	45,002	22,590	40,087	2,403	6,310	1,755	118,147
Derivative financial instruments	647	-	-	-	-	-	647
Deferred income tax asset	-	-	-	-	-	26,336	26,336
Current income tax recoverable	-	-	-	-	-	214	214
Property and equipment	-	-	-	-	-	91,035	91,035
Investment property	-	-	-	-	-	18,795	18,795
Intangible assets	-	-	-	-	-	31,042	31,042
Assets held for disposal	-	-	-	-	-	29,089	29,089
Total assets	992,243	486,375	423,808	1,028,592	6,310	199,404	3,136,732
Liabilities							
Customer deposits	1,860,645	115,537	300,866	5,157	-	-	2,282,205
Derivative financial instruments	308	-	-	-	-	-	308
Other liabilities	26,097	3,685	9,356	6,650	-	20,408	66,196
Borrowed funds	15,747	13,690	61,368	99,809	-	-	190,614
Special funds	1,193	-	-	-	-	-	1,193
Provisions	-	-	-	-	-	2,190	2,190
Total liabilities	1,903,990	132,912	371,590	111,616	-	22,598	2,542,706
Net liquidity gap	(911,747)	353,463	52,218	916,976	6,310	176,806	594,026
Net off-statement of financial position items	(52,566)	(110,148)	(201,603)	(106,307)	-	-	(470,624)
Overall liquidity position	(964,313)	243,315	(149,385)	810,669	6,310	176,806	123,402

6C Liquidity risk (continued)

Company:	Up to	1-3	3-12	Over	Non-liquid items	Non-financial items	Total
As at 31 December 2021	1 month	months	months	1 year			
Assets	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Amounts due from Group companies	1,182	-	1,700	-	-	-	2,882
Other assets	95	-	-	-	-	91	186
Current income tax recoverable	-	-	-	-	-	651	651
Deferred income tax asset	-	-	-	-	-	2,154	2,154
Investment in subsidiary	-	-	-	-	-	203,293	203,293
Investment property	-	-	-	-	-	41,130	41,130
Total assets	1,277	-	1,700	-	-	247,319	250,296
Liabilities							
Other liabilities	1,742	453	453	460	-	4,077	7,185
Borrowed funds	-	-	2,251	2,988	-	-	5,239
Amounts due to Group companies	-	-	3,266	11,367	-	-	14,633
Total liabilities	1,742	453	5,970	14,815	-	4,077	27,057
Overall liquidity position	(465)	(453)	(4,270)	(14,815)	-	243,242	223,239

6 Financial risk management (continued)

6D Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risks rests with the ALCO. The Treasury Department is responsible for the detailed risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

Currency Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, counter party limits and stop loss limits, which are monitored daily by treasury with senior management oversight. The Group's ALCO reviews on a monthly basis the net foreign exchange position of the Group. As at 31 December 2021, the Group had a net foreign exchange position of Ushs 3,002 million (2020: Ushs 7,124 million).

The Group's profit before income tax/ equity would decrease/ increase by Ushs 600 million (2020: Ushs 2,128 million) were the Ushs: US$ foreign exchange rate to change by 20% (2020: 20%). This variation in profitability is measured by reference to foreign currency exposures existing at year end. Movements in the foreign exchange rates for GBP and EURO would not have a material impact on the Group's results

The table below summarises the Group's exposure to foreign currency risk as at 31 December 2021. Included in the table are the Group's assets and liabilities categorised by currency. All figures are in millions of Uganda Shillings. The Uganda shillings (Ushs) and the non-financial items have not been included in determining the foreign currency sensitivity analysis.

As at 31 December 2021 (Group)	USD	GBP	EURO	USHS	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Assets					
Cash and balances with Bank of Uganda	161,700	7,617	9,085	338,400	516,802
Loans and advances to other banks	112,811	6,644	49,351	60,718	229,524
Loans and advances to customers	538,833	-	-	969,577	1,508,410
Other assets	4,255	-	-	107,582	111,837
Equity investments	-	-	-	6,563	6,563
Government and other securities	-	-	-	558,990	558,990
Derivative financial instruments	-	-	-	647	647
Total assets	817,599	14,261	58,436	2,042,477	2,932,773
Liabilities					
Customer deposits	726,252	6,110	40,534	1,509,309	2,282,205
Derivative financial instruments	-	-	-	308	308
Other liabilities	11,451	8,145	16,196	9,996	45,788
Borrowed funds	76,894	-	-	113,720	190,614
Special funds	-	-	-	1,193	1,193
Total liabilities	814,597	14,255	56,730	1,634,526	2,520,108
Net on-statement of financial position items	3,002	6	1,706	407,951	412,665
Net off-statement of financial position items	(252,272)	-	-	(218,352)	(470,624)
Overall open position	(249,270)	6	1,706	189,599	(57,959)

6 Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2020 (Group)	USD	GBP	EURO	USHS	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Assets					
Cash and balances with Bank of Uganda	88,520	6,371	10,711	501,148	606,750
Loans and advances to other banks	41,716	4,874	13,493	135,358	195,441
Loans and advances to customers	741,403	-	-	1,033,913	1,775,316
Other assets	23	-	-	119,617	119,640
Equity investments	-	-	-	8,513	8,513
Government and other securities	-	-	-	575,362	575,362
Total assets	**871,662**	**11,245**	**24,204**	**2,373,911**	**3,281,022**
Liabilities					
Customer deposits	684,907	6,104	20,453	1,883,883	2,595,347
Derivative financial instruments	-	-	-	97	97
Balances due to other banks	10,968	-	-	-	10,968
Other liabilities	25,998	5,137	2,945	24,095	58,175
Borrowed funds	142,665	-	-	74,554	217,219
Special funds	-	-	-	1,193	1,193
Total liabilities	**864,538**	**11,241**	**23,398**	**1,983,822**	**2,882,999**
Net on-statement of financial position items	**7,124**	**4**	**806**	**390,089**	**398,023**
Net off-statement of financial position items	(106,545)	-	-	(202,613)	(309,158)
Overall open position	**(99,421)**	**4**	**806**	**187,476**	**88,865**

6 Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2021 (Company)	USD	GBP	EURO	USHS	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Assets					
Amounts due from Group companies	905	-	-	1,977	2,882
Other assets	90	-	-	5	95
Total assets	995	-	-	1,982	2,977
Liabilities					
Other liabilities	-	-	-	7,216	7,216
Amounts due to Group companies	-	-	-	14,633	14,633
Borrowed funds	1,574	-	-	3,665	5,239
Total liabilities	1,574	-	-	25,514	27,088
Overall open position	(579)	-	-	(23,532)	(24,111)

As at 31 December 2020 (Company)					
Assets					
Amounts due from Group companies	167	-	-	30	197
Other assets	-	-	-	17	17
Total assets	167	-	-	47	214
Liabilities					
Other liabilities	-	-	-	3,517	3,517
Amounts due to Group companies	-	-	-	15,932	15,932
Borrowed funds	-	-	-	4,502	4,502
Total liabilities	-	-	-	23,951	23,951
Overall open position	167	-	-	(23,904)	(23,737)

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly.

The Group faces fair value interest rate risk on its fixed interest financial assets that are measured at fair value. In addition, the Group faces cash flow interest rate risk on its variable rate financial instruments measured at amortised cost. Financial instruments with fair value interest rate risk comprise solely the held-for-trading portfolio of Government securities. Financial instruments with cash flow interest rate risk comprise deposits and balances due from other banks, loans and advances receivable/payable, customer deposits and amounts due to other group companies.

The table below summarises the Group's fair value and cash flow interest rate risks at 31 December 2021 assuming a market interest rate decrease of 3% from the rates ruling at year-end (2020: 3%). This would have an impact on the profit before income tax of the Group as follows:

			2021			2020
			Ushs M			Ushs M
	Profit before tax	Tax impact	Net impact on equity	Profit before tax	Tax impact	Net impact on equity
Fair value interest rate risk	1,181	(354)	827	1,154	(346)	808
Cash flow interest rate risk	38,182	(11,455)	26,727	37,306	(11,192)	26,114
	39,363	(11,809)	27,554	38,460	(11,538)	26,922

6 Financial risk management (continued)

6D Market risk (continued)

The table summarises the Group's interest risk on the debt instruments at FVOCI as at 31 December 2021 assuming a market interest rate decrease of 3% from the rates ruling at year end (2020: 3%)

		2021	
		Ushs M	
	Gross effect on OCI	Tax (expense)/ benefit	Net of tax effect on equity
Movement in liability credit reserve	208	(63)	146
Movement in debt instrument at FVOCI	1	-	1
	209	(63)	147

		2020	
		Ushs M	
	Gross effect on OCI	Tax (expense)/ benefit	Net of tax effect on equity
Movement in liability credit reserve	(37)	11	(26)
Movement in debt instrument at FVOCI	1	-	1
	(36)	11	(25)

The tables below summarise the Group's exposure to interest rate risk as at 31 December 2021 and 31 December 2020. Included in the table is the Group's interest-bearing assets and liabilities at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear any interest rate risk on off-statement of financial position items like commitments to lend, guarantees and letters of credit. All figures are in millions of Uganda Shillings.

As at 31 December 2021 (Group)	Up to	1-3	3-12	Over	Non - interest bearing	Total
	1 month	months	months	1 year		
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Interest bearing assets						
Cash and balances with Bank of Uganda	-	-	-	-	516,802	516,802
Deposits and balances due from other banks	69,973	-	-	-	159,551	229,524
Loans and advances to customers	333,424	427,156	232,979	692,109	(177,258)	1,508,410
Government and other securities	44,101	36,629	150,742	327,518	-	558,990
Equity investments	-	-	-	-	6,563	6,563
Other assets	-	-	-	-	116,392	116,392
Derivative financial instruments	647	-	-	-	-	647
Total interest-bearing assets	448,145	463,785	383,721	1,019,627	622,050	2,937,328
Interest bearing liabilities						
Customer deposits	714,045	115,537	300,866	5,157	1,146,600	2,282,205
Derivative financial instruments	308	-	-	-	-	308
Other liabilities	-	-	-	-	45,788	45,788
Borrowed funds	17,251	13,690	61,368	55,570	42,735	190,614
Special funds	-	-	-	-	1,193	1,193
Total interest bearing liabilities	731,604	129,227	362,234	60,727	1,236,316	2,520,108
Interest re-pricing gap	(283,459)	334,558	21,487	958,900	(614,266)	417,220

6 Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2020 (Group)	Up to	1-3	3-12	Over	Non - interest bearing	Total
	1 month	months	months	1 year		
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Interest bearing assets						
Cash and balances with Bank of Uganda	-	-	-	-	606,750	606,750
Deposits and balances due from other banks	134,773	-	-	-	60,668	195,441
Loans and advances to customers	456,957	207,474	358,503	815,248	(62,866)	1,775,316
Government and other securities	128,446	48,697	134,083	264,136	-	575,362
Equity investments	-	-	-	-	8,513	8,513
Other assets	-	-	-	-	119,640	119,640
Total interest bearing assets	**720,176**	**256,171**	**492,586**	**1,079,384**	**732,705**	**3,281,022**
Interest bearing liabilities						
Customer deposits	725,588	128,121	504,697	1,501	1,235,440	2,595,347
Derivative financial instruments	97	-	-	-	-	97
Balances due to other banks	10,968	-	-	-	-	10,968
Other liabilities	-	-	-	26,631	31,544	58,175
Borrowed funds	2,202	1,138	52,416	107,283	54,180	217,219
Special funds	-	-	-	-	1,193	1,193
Total interest bearing liabilities	**738,855**	**129,259**	**557,113**	**135,415**	**1,322,357**	**2,882,999**
Interest re-pricing gap	**(18,679)**	**126,912**	**(64,527)**	**943,969**	**(589,652)**	**398,023**

6 Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2021 (Company)	Up to	1-3	3-12	Over	Non - interest bearing	Total
	1 month	months	months	1 year		
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Interest bearing assets						
Other assets	-	-	-	-	95	95
Amounts due from Group companies	2,882	-	-	-	-	2,882
Total interest bearing assets	**2,882**	**-**	**-**	**-**	**95**	**2,977**
Interest bearing liabilities						
Other liabilities	-	-	-	-	3,108	3,108
Amounts due to Group companies	-	-	3,266	11,367	-	14,633
Borrowed funds	-	-	2,251	2,988	-	5,239
Total interest bearing liabilities	**-**	**-**	**5,517**	**14,355**	**3,108**	**22,980**
Interest re-pricing gap	**2,882**	**-**	**(5,517)**	**(14,355)**	**(3,013)**	**(20,003)**

As at 31 December 2020 (Company)	Up to	1-3	3-12	Over	Non - interest bearing	Total
	1 month	months	months	1 year		
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Interest bearing assets						
Other assets	-	-	-	-	17	17
Amounts due from Group companies	197	-	-	-	-	197
Total interest bearing assets	**197**	**-**	**-**	**-**	**17**	**214**
Interest bearing liabilities						
Other liabilities	-	-	-	-	3,517	3,517
Amounts due to Group companies	-	-	1,665	14,267	-	15,932
Borrowed funds	-	-	2,251	2,251	-	4,502
Total interest bearing liabilities	**-**	**-**	**3,916**	**16,518**	**3,517**	**23,951**
Interest re-pricing gap	**197**	**-**	**(3,916)**	**(16,518)**	**(3,500)**	**(23,737)**

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities

i) Financial instruments measured at fair value

a) Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.
For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain OTC structured derivatives, certain loans, securities for which there is no active market and retained interests in securitisations (as discussed below). Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

For measuring derivatives that might change classification from being an asset to a liability or vice versa - e.g. interest rate swaps - fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVAJ when market participants would take this into consideration in pricing the derivatives.
Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management uses judgement to select the most appropriate point in the range.

Measurement on the basis of net exposures to risks

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. These adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, it takes into account any existing arrangements that mitigate the credit risk exposure - e.g. master netting agreements with the counterparty.

Valuation techniques

Government debt securities

Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets. When active market prices are not available, the Group uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the Group classifies those securities as Level 2. The Group does not have Level 3 government securities where valuation inputs would be unobservable. The fair values of government securities are obtained from Bank of Uganda.

Equity instruments

The Group's equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1.

Other assets at fair value through profit or loss

These comprise of loans and receivables designated at FVPL and mandatorily required to be measured at FVPL (those that did not meet the SPPI criteria), a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity, where relevant. These assets are classified under Level 3 as the assessment of credit quality is based on unobservable data.

ii) Valuation framework

The Group has an established control framework for the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:
- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

iii) Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

The following are the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

2021	Hierarchy			
	Level 1	Level 2	Level 3	Total
	Ushs M	Ushs M	Ushs M	Ushs M
Treasury bills and bonds	-	6,700	-	6,700
Securities at fair value through OCI	-	339,849	-	339,849
Other assets at fair value through profit and loss	-	-	72,664	72, 664
Equity investments at fair value through profit and loss	6,563	-	-	6,563
	6,563	346,549	72,664	425,776

2020	Hierarchy			
	Level 1	Level 2	Level 3	Total
	Ushs M	Ushs M	Ushs M	Ushs M
Treasury bills and bonds	-	58,357	-	58,357
Securities at fair value through OCI	-	259,623	-	259,623
Other assets at fair value through profit and loss	-	-	109,892	109,892
Equity investments at fair value through profit and loss	8,513	-	-	8,513
	8,513	317,980	109,892	436,385

During the year ended 31 December 2021, there were no transfers into or out of Level 2 and level 1 fair value measurements.

iv) Level 3 fair value measurements

The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy;

	2021	2020
	Ushs M	Ushs M
At 1 January	109,892	166,283
Settlements against the asset	(6,367)	(5,903)
Fair value loss	(30,861)	(50,488)
At 31 December	72,664	109,892

6 Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

v) Unobservable inputs used in measuring fair value

The following table sets out information about significant un-observable inputs used at 31 December 2021 and 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy;

As at 31 December 2021

Significant unobservable inputs	Sensitivity of the inputs	Carrying amount	Impact on carrying amount		Adjusted carrying amount
Change in amount of expected cash flows by:	-10%	72,664	(7,239)	-10%	65,398
	+10%	72,664	7,239	+10%	79,930
Change in timing of cash flows by:	-1 year	72,664	10,497	14.5%	83,214
	+1 year	72,664	(10,714)	-14.8%	61,878
Change in discount rate, amount of expected cash flows and timing of cash flows by:	'-1%; -10%; -1 year	72,664	2,461	3.4%	75,150
	'+1%; +10%; +1 year	72,664	(5,863)	-8.1%	66,778

As at 31 December 2020:

Significant unobservable inputs	Sensitivity of the inputs	Carrying amount	Impact on carrying amount		Adjusted carrying amount
Change in amount of expected cash flows by:	-10%	109,892	(10,989)	-10%	98,903
	+10%	109,892	10,989	+10%	120,881
Change in timing of cash flows by:	-1 year	109,892	18,834	17%	128,726
	+1 year	109,892	(16,072)	-15%	93,820
Change in discount rate, amount of expected cash flows and timing of cash flows by:	'-1%; -10%; -1 year	109,892	7,908	7%	117,800
	'+1%; +10%; +1 year	109,892	(10,094)	-9%	99,798

Estimated cash flows are derived from the entity's business plan and historical comparison between plans and actual results.

vi) Financial instruments not measured at fair value

The fair values of the Group's and Company's other financial assets and liabilities that are measured at amortised cost approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates.

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and balances with central banks; due to and from banks; demand deposits; and savings accounts without a specific maturity. Such amounts have been classified as Level 2 on the basis that no adjustments have been made to the balances in the statement of financial position.

6 Financial risk management (continued)
6F Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial positions, are:

- To comply with the capital requirements set by the Financial Institutions Act 2004 for purposes of the subsidiary, dfcu Bank;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management employing techniques based on the guidelines developed by the Basel Committee, as adapted and implemented by Bank of Uganda for supervisory purposes under the Financial Institutions Act, 2004 (FIA). dfcu Bank (the Bank) is required to file information on capital adequacy with Bank of Uganda on a quarterly basis.

As of 31 December 2021, the Financial Institutions Capital Adequacy Requirements Regulations 2021 requires each bank to:
a) have a minimum paid up capital unimpaired by losses of Ushs 25 billion;
b) maintain core capital of not less than 10% of the total risk adjusted assets plus risk adjusted off statement of financial position items; and
c) maintain total capital of not less than 12% of the total risk adjusted assets plus risk adjusted off statement of financial position items.
The total regulatory capital to be held by the Bank is divided into two tiers:

- Tier 1 capital (core capital): share capital, share premium, plus retained earnings less goodwill and similar intangible assets, investments in unconsolidated subsidiaries and future income tax benefits.
- Tier 2 capital (supplementary capital): revaluation reserves, general provisions for losses not exceeding 1.25% of risk weighted assets, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with - each asset and counterparty. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses. The table below summarises the composition of regulatory capital and the ratios of dfcu Bank:

	2021	2020
	Ushs M	Ushs M
Before dividend declaration		
Tier 1 capital	**517,120**	521,810
Tier 1 + Tier 2 capital	**545,476**	561,796
After dividend declaration		
Tier 1 capital	**517,120**	482,159
Tier 1 + Tier 2 capital	**545,478**	522,146
Tier 1 (FIA minimum -10%)	**22.28%**	20.93%
Tier 1 + Tier 2 (FIA minimum - 12%)	**23.46%**	22.53%
FIA ratio (after dividend declaration)		
Tier 1 (FIA minimum -10%)	**22.28%**	19.34%
Tier 1 + Tier 2 (FIA minimum - 12%)	**23.46%**	20.94%

6 Financial risk management (continued)

6G Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Recognising that operational risk cannot be entirely eliminated, the Group implemented risk mitigation controls including fraud prevention, contingency planning, information security and incident management and continues to enhance the same. Where appropriate, this strategy is further supported by risk transfer mechanisms such as insurance.

Over the past year, the Group has continued to invest heavily in technology/systems to create more digital channels, increase operational efficiency in a bid to leverage on IT to drive its strategy.

A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.

The Group has put in place measures to address the operational risks as highlighted below;

- The Group has and continues to invest significantly in data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches.

- The Group actively engages with regulators to ensure that there is appropriate mutual understanding of the technology space and that evolution in regulation appropriately balances the value of giving customers control of their data, with the Group's duty to protect customers' privacy and security.

- The Group continuously invests in IT system security and identifies and accesses management controls to secure the confidentiality, integrity and availability of the Group's data.

- The employees undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.

- As the second line of defense, the Group's risk department was boosted with officers with IT security skills to monitor the activities of the first line of defense by performing risk assurance reviews, monitoring all user activity on key systems in order to timely detect any irregularity and advise adequate response.

7 A. Classification of financial assets and financial liabilities

The Group's accounting policies on the classification of financial instruments under IFRS 9 are indicated below. The application of these policies resulted in the classifications set out in the table above and explained below.

a) Certain loans and advances to customers held by the Group's investment business are classified under IFRS 9 as mandatorily measured at FVTPL because they are held within a business model in which they are managed and their performance is evaluated on a fair value basis. Internal reporting and performance measurement of these loans and advances are on a fair value basis.

b) The investment securities are measured at FVTPL because the contractual cash flows of these securities are not SPPI on the principal outstanding.

c) Certain debt securities are held by the Group Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.

d) Certain debt securities are held by the Group Central Treasury in separate portfolios to meet everyday liquidity needs. The Group Central Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

e) Certain non-trading debt securities are held by the Group Central Treasury in separate portfolios and are managed with an objective of realising cash flows through sale. The Group primarily focuses on fair value information and uses that information to assess the securities' performance and to make decisions. In addition, certain asset-backed securities have contractual cash flows that are not SPPI. These assets are therefore measured at FVTPL under IFRS 9.

f) Certain equity investments held by the Group for strategic purposes have been designated under IFRS 9 as at FVOCI

7 B. Classification of assets and liabilities

The table below shows the classification of the assets and liabilities as current and non-current:

	2021 (Ushs M)			2020 (Ushs M)		
Group	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Assets:						
Cash and balances with Bank of Uganda	**516,802**	**-**	**516,802**	606,750	-	606,750
Deposits and balances due from other banks	**229,524**	**-**	**229,524**	195,441	-	195,441
Government and other securities	**231,472**	**327,518**	**558,990**	311,226	264,136	575,362
Loans and advances to customers	**816,301**	**692,109**	**1,508,410**	960,069	815,247	1,775,316
Investment in equity shares	-	**7,701**	**7,701**	**-**	9,651	9,651
Other assets	**107,679**	**10,468**	**118,147**	100,039	31,110	131,149
Derivative financial instruments	**647**	**-**	**647**	-	-	-
Current income tax recoverable	**214**	**-**	**214**	-	-	-
Deferred income tax asset	**-**	**26,336**	**26,336**	-	12,688	12,688
Property and equipment	**-**	**91,035**	**91,035**	-	107,208	107,208
Investment property	**-**	**18,795**	**18,795**	-	19,242	19,242
Intangible assets	**-**	**31,042**	**31,042**	-	36,681	36,681
Assets held for disposal	**29,089**	**-**	**29,089**	29,089	-	29,089
Total Assets	**1,902,639**	**1,205,004**	**3,136,732**	2,202,614	1,295,963	3,498,577
Liabilities:						
Customer deposits	**2,277,048**	**5,157**	**2,282,205**	2,593,846	1,501	2,595,347
Derivative financial instruments	**308**	**-**	**308**	97	-	97
Deposits due to other banks	**-**	**-**	**-**	10,968	-	10,968
Other liabilities	**39,138**	**27,058**	**66,196**	16,015	60,533	76,548
Borrowed funds	**90,805**	**99,809**	**190,614**	67,105	150,114	217,219
Special funds	**1,193**	**-**	**1,193**	1,193	-	1,193
Current income tax payable	**-**	**-**	**-**	-	1,773	1,773
Provisions	**2,190**	**-**	**2,190**	2,520	-	2,520
Total Liabilities	**2,410,682**	**132,024**	**2,542,706**	2,691,744	213,921	2,905,665
Net Assets	**(508,043)**	**1,072,980**	**594,026**	(489,130)	1,082,042	592,912

7 B. Classification of assets and liabilities (continued)

	2021 (Ushs M)			2020 (Ushs M)		
Company	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Assets:						
Amounts due from Group companies	2,882	-	2,882	197	-	197
Other assets	186	-	186	17	-	17
Current income tax recoverable	651	-	651	949	-	949
Deferred income tax asset	-	2,154	2,154	-	1,164	1,164
Investment in subsidiaries	-	203,293	203,293	-	203,293	203,293
Investment property	-	41,130	41,130	-	43,605	43,605
Total Assets	3,719	246,577	250,296	1,163	248,062	249,225
Liabilities:						
Other liabilities	7,185	-	7,185	2,724	925	3,649
Borrowed funds	-	5,239	5,239	-	4,502	4,502
Amounts due to Group companies	1,665	12,968	14,633	1,665	14,267	15,932
Total Liabilities	8,850	18,207	27,057	4,389	19,694	24,083
Net Assets	(5,131)	228,370	223,239	(3,226)	228,368	225,142

8 Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- dfcu Limited, which is the holding company that is listed on the Uganda Stock Exchange. The Company derives its revenues mainly from rental income charged on its investment property.
- dfcu Bank Limited: This is the commercial banking segment which provides innovative products and superior service levels catering for customer needs in the areas of savings and investment products, personal and current accounts, personal credit, corporate credit, trade finance, foreign exchange trading, money market transfers, etc. It also consists of a development finance segment which provides medium and long-term finance to private sectors in Uganda. The sectors include agro processing, education, health, manufacturing, transport, hospitality industry, tourism and construction. The Bank's main source of income is interest income on loans and advances which accounts for 81% of the Group's total revenue for the year ended 31 December 2021 (2020: 61%).

During the year 16.23% (2020: 14.35%) of the Group's revenue was earned from Government securities. No other single external customer contributes revenue amounting up to 10% of the Group's revenue.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the consolidated financial statements.

The segment results for the year ended 31 December 2021 were as follows:

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Fees and commission income and other operating income	6,843	83,741	(5,024)	85,559
Income from transactions with operating segments of the same entity	15,000	-	(15,000)	-
Interest income	145	366,844	(2,413)	364,577
Interest expense	(2,720)	(81,202)	2,413	(81,509)
Other operating expenses	(8,856)	(358,909)	5,024	(362,742)
(Loss)/profit before income tax	10,412	10,474	(15,000)	5,885
Income tax expense	685	2,741	-	3,427
(Loss)/Profit for the year	11,097	13,215	(15,000)	9,312

8 Segment information (Continued)

The segment results for the year ended 31 December 2020 were as follows:

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Fees and commission income and other operating income	6,760	69,029	(4,934)	70,855
Interest income	13	346,261	(2,452)	343,822
Interest expense	(2,863)	(110,023)	2,452	(110,434)
Other operating expenses	(4,977)	(272,714)	4,934	(272,757)
(Loss)/profit before income tax	(1,067)	32,553	-	31,486
Income tax expense	827	(8,236)	-	(7,409)
(Loss)/Profit for the year	(240)	24,317	-	24,077

As at 31 December 2021

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Total assets	**250,296**	**3,177,568**	**(291,132)**	**3,136,732**
Total liabilities	**27,057**	**2,602,732**	**(87,083)**	**2,542,706**
Capital expenditure	**190**	**13,647**	**-**	**13,837**

As at 31 December 2020

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Total assets	249,225	3,539,365	(290,013)	3,498,577
Total liabilities	24,047	2,967,546	(85,928)	2,905,665
Capital expenditure	360	31,343	-	31,703

The Group's operations are all attributed to Uganda, the Company's country of domicile.
The table below indicates the Group's interest income for each group of similar products:

	dfcu Limited	dfcu Bank	Group
	Ushs M	Ushs M	Ushs M
Year ended 31 December 2021	**145**	**366,844**	**364,577**
Year ended 31 December 2020	130	346,261	343,822

9 Interest and similar income

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
(a) Interest calculated using the effective interest method				
Loans and advances	**273,034**	254,210	**-**	-
Placements and investments with other banks	**11,011**	21,461	**145**	13
Government and other securities	**63,266**	59,516	**-**	-
	347,311	335,187	**145**	13
(b) Other interest and similar income				
Interest income on finance leases	**7,488**	8,635	**-**	-
Total interest income	**354,799**	343,822	**145**	13

10 Interest and similar expenses

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Borrowed funds	**10,344**	14,437	**2,720**	2,863
Customer deposits	**62,707**	89,579	**-**	-
Interest expense on lease liability	**8,458**	6,418	**-**	-
	81,509	110,434	**2,720**	2,863

11 Net trading and other income

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Net unrealised foreign exchange gain	**2,935**	601	**(21)**	11
Fixed trading income	**26,361**	16,913	**-**	-
Rental income	**1,603**	1,786	**6,262**	6,224
Other income	**(64)**	297	**-**	-
	30,835	19,597	**6,241**	6,235

12 Net income from other financial instruments at FVTPL

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Recoveries from other assets measured at FVTPL	**2,002**	**486**	**-**	**-**

This represents cash collections from the managed portfolio of other assets measured at FVTPL net of recovery costs. These recoveries are from assets that had been written off the portfolio.

13 Fee and commission income

In the table below, fee and commission income from contracts worth customers in the scope of IFRS 15 is disaggregated by major types of services.

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Major service lines				
Domestic commissions	**49,215**	40,468	**602**	526
Foreign commissions	**5,268**	4,585	**-**	-
Total fee and commission from contracts with customers	**54,483**	45,053	**602**	526
Financial guarantee contracts and loan commitments	**8,017**	5,720	**-**	-
Total fee and commission income	**62,500**	50,773	**602**	526

Fee and commission income includes fees and commissions from ledger fees, money transfers, low balance fees, statement fees, unpaid cheques charges, URA licensing, ATM commissions, letters of credit fees, letters of guarantee, telegraphic transfer fees, and other fees and commissions.

13 Net fee and commission income (continued)
Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.
The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms 2021	Revenue recognition under IFRS 15
Category A	These are transactional fees based on revenue that mainly comprise of but not limited to commissions on cheques cashed, statement charges, auxiliary charges, management fees, payments and collection related fees.	-Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides account transaction services - Transaction price – monthly fees in line with the contractual agreement. - Allocation of price to PO – single performance obligation, no allocation necessary. - PO satisfied – Revenue is currently recognised at the end of the month, for the services provided during that month (operational efficiency).
Category B	Annual Review Charge - It's an annual fee charged basing on the loans held in the year. This revenue is recognised annually on usually DIB loans. -	Enforceable arrangement with customer exists. Performance obligation (PO) – the Group provides loan review services. Transaction price – commission received as per agreement with the insurer. Allocation of price to PO – single performance obligation PO satisfied – at a point in time in the year when the loan review has been performed. Revenue should be spread over the period as services are provided before the next payment.
Category C	These are fees charged on card related transaction. These comprise of ATM commissions, Express Money commission, Visa Commissions, MoneyGram commissions and issuance fee of debit cards. It's a standard fee -	Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides card services at specific points of time and over time. - Transaction price – fee charged in terms of the arrangement with customer at point of transaction. - Allocation of price to PO – single performance obligation for each of the services, no allocation necessary. - PO satisfied – Revenue is currently recognised at a point in time, after the transaction is processed.

Category D	Guarantees and commitment fees This is a transactional based fee on guarantees issued. Timing of revenue for guarantees- Quarterly fee collection/ recognition or upfront fees depending on contract with client. Most CB customers pay quarterly while DIB customers are largely upfront fees for entire tenor of facility. Term / tenor of Guarantees range from 1-5 years	Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides guarantees, custody fees and commitment fees - Transaction price – fee charged in terms of the arrangement with customer - Allocation of price to PO – Each service is a single performance obligation, no allocation necessary. PO satisfied - Commitment fees- Revenue currently recognised upfront - Performance guarantees- Revenue currently recognised upfront - Commitment and Guarantee fees -The performance obligation is satisfied over the term of the guarantee, thus revenue should be deferred over the term of the guarantee - Where drawdown of the facility is not probable, fees should be deferred over the term of the agreement, on a straight-line basis and recognised in NIR. Where drawdown is probable, fees should be deferred and as part of the EIR and recognised in NII The Group recognises the fee and commissions upfront because the difference as a result of deferring is immaterial.
Category E	These are fees charged on electronic banking transactions like Money Transfers, Foreign bills, Fx sundries, Telex Transfers	-Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides a service (as noted alongside, for electronic banking transactions). - Transaction price – transaction based fees. - Allocation of price to PO – single performance obligation (for each of the service fees listed), no allocation necessary. - PO satisfied – Revenue is currently recognised at a point in time, after the transaction is processed.

Category F	It's a transactional based fee on Incoming TTs and LCs depending on the transaction amount with a capped maximum amount Letters of credit are usually less than one year	Enforceable arrangement with customer exists. - - Performance obligation (PO) – Group to provide a service, provide inter account transfers that are done by customers and LCs - Transaction price – fee is charged per transaction and LCs depending on the transaction amount with a capped maximum amount - Allocation of price to PO – single performance obligation, no allocation necessary.
		PO satisfied: - TT's- Revenue recognised at a point in time, when service has been provided - Letters of credit-The performance obligation is satisfied over the term of the LC, thus revenue should be deferred over the term of the loan - Fees are currently recognised upfront. Business to monitor and reassess accounting treatment when amounts become material Where drawdown of the facility is not probable, fees should be deferred over the term of the agreement, on a straight-line basis and recognised in NIR. Where drawdown is probable, fees should be deferred and as part of the EIR and recognised in NII The Group recognises the fee and commissions upfront because the difference as a result of deferring is immaterial.
Category G	Sundries (BOU Chqs, S/O, URA, Mgt fees) KCCA Commission URA Licencing	Enforceable arrangement with customer exists. - - Performance obligation (PO) – Group to provide a service (as noted alongside, for electronic banking transactions). - Transaction price – transaction based fees. - Allocation of price to PO – single performance obligation (for each of the service fees listed), no allocation necessary. - PO satisfied – Revenue is currently recognised at a point in time, after the transaction is processed.

14 Operating expenses

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Employee benefits expenses (note 15)	**55,701**	60,938	**746**	774
Depreciation of property and equipment (note 28)	**19,621**	24,992	**-**	-
Depreciation of the investment property (note 27)	**461**	276	**2,666**	2,667
Amortisation of intangible assets (note 29)	**12,026**	13,700	**-**	-
Auditors' remuneration	**619**	758	**101**	121
Occupancy expenses	**10,870**	12,057	**12**	-
Professional and consultancy fees	**14,960**	6,071	**4,390**	177
Communication costs	**30,718**	25,979	**33**	29
Transport and travel costs	**1,252**	1,756	**27**	15
Advertising and publicity costs	**4,290**	3,482	**42**	2
Fair value loss on rescinded properties (note 28(b))	**-**	15,283	**-**	-
Other expenses	**33,005**	26,347	**839**	1,193
	183,523	191,639	**8,856**	4,978

15 Employee benefits expenses

	Group	Company		
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Wages and salaries	**48,481**	53,258	**659**	664
Retirement benefits costs	**2,369**	2,379	**21**	43
National Social Security Fund contributions	**4,851**	5,301	**66**	67
	55,701	60,938	**746**	774

The average number of employees of the group during the year was 1,074 (2020: 1,034)

16 Profit before tax

The following items have been charged in arriving at the profit before tax:

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Auditor's remuneration (note 14)	**698**	758	**179**	121
Depreciation of property and equipment (note 27)	**21,575**	22,069	**-**	-
Impairment loss on rescinded properties (note 28(b))	**-**	15,283	**-**	-
Amortisation of intangible assets (note 29)	**12,026**	13,700	**-**	-
Directors remuneration (note 46(d))	**2,291**	2,060	**691**	557

17 Dividends

During the year, no interim dividend was paid (2020: Nil). At the next Annual General Meeting proposed to be held in June 2022, the directors do not plan to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Ushs 13 billion).

18 Earnings per share - Group

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Net profit attributable to equity holders of the Company (Ushs M)	**9,312**	24,077
Weighted average number of ordinary shares in issue	**748,144,033**	748,144,033
Basic earnings per share (Ushs)	**12.45**	32.18
Diluted earnings per share (Ushs)	**12.45**	32.18

Profit attributable to ordinary shareholders

	2021	2020
	Ushs M	Ushs M
Net profit attributable to equity holders of the Company	**9,312**	24,077

There were no potentially dilutive shares outstanding at 31 December 2021 and 2020.

19 Income tax

a) Income tax expense

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Current income tax	**12,391**	15,783	**305**	570
Prior year over provision of corporation tax	**-**	1,184	**-**	-
Deferred income tax credit	**(15,818)**	(9,559)	**(990)**	(1,397)
Income tax expense/(credit)	**(3,427)**	7,408	**(685)**	(827)

b) Amount recognised in OCI – Group

	2021		
	Ushs M		
	Before tax	Tax (expense)/ benefit	Net of tax
Movement in liability credit reserve	**6,945**	**(2,169)**	**4,776**
Movement in debt instrument at FVOCI	**26**	**-**	**26**
	6,971	**(2,169)**	**4,802**

	2020		
	Ushs M		
	Before tax	Tax (expense)/ benefit	Net of tax
Movement in liability credit reserve	(1,237)	259	(978)
Movement in debt instrument at FVOCI	34	-	34
	(1,203)	259	(944)

19 Income tax (continued)

c) Reconciliation of effective tax rate

The tax on the Group's and company's profit before income tax differs from the theoretical amount that would arise using the basic tax rate of 30% as follows:

Group:

	2021		2020	
	Effective tax rate	Ushs M	Effective tax rate	Ushs M
Profit before income tax		5,885		31,485
Tax calculated at a tax rate of 30% (2020: 30%)	30%	1,766	30%	9,445
Tax effect of:				
Under provision of current and deferred tax in previous years	0%	-	-3.76%	(1,184)
Expenses not deductible for tax purposes1	53.21%	3,132	8.90%	2,801
Net interest income which is subject to final tax2	(141.43%)	(8,324)	(11.61%)	(3,654)
Income tax expense	(58.22%)	(3,427)	23.53%	7,408

1These include items like depreciation expenses in non-qualifying assets, donations, entertainment and unrealised loss on the transfer of non-qualifying assets.

2Includes the income tax differential between interest income on government securities of Ushs 73,044 million (2020: Ushs 55,916 million) taxed at the statutory rate of 30% and withholding tax which is a final tax.

Company:

		2021		2020
	Effective tax rate	Ushs M	Effective tax rate	Ushs M
Profit before income tax		10,412		(1,670)
Tax calculated at a tax rate of 30% (2020: 30%)	30%	3,124	30.00%	(320)
Tax effect of:				
Under provision of current and deferred tax in previous years	0.00%	-		(1,239)
Expenses not deductible for tax purposes1	37.48%	2,206	20.84%	1,893
Net interest income which is subject to final tax2	(102.19%)	(6,015)	8.75%	(1,161)
Income tax expense/(credit)	(11.65%)	(685)	29.59%	(827)

Income taxed at other rates refers to rental income taxed separately from the other business income. Further information on deferred income tax is presented in note 30.

d) Current income tax (recoverable) / payable

The movements in current tax payable are as follows:

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
At 1 January	1,773	2,783	(949)	(1,519)
Current income tax expense for the year	12,390	16,967	304	570
Current tax paid during the year	(14,377)	(17,977)	(6)	-
At 31 December	(214)	1,773	(651)	(949)

20 Cash at hand and balances with Bank of Uganda - Group

	2021	2020
	Ushs M	Ushs M
Cash in hand	**159,104**	152,139
Balances with Bank of Uganda	**357,800**	454,829
Expected Credit Loss adjustment	**(102)**	(218)
	516,802	606,750

The fair value of cash and balances with Bank of Uganda approximates the carrying amount. As disclosed in note 45, the restricted cash balance with Bank of Uganda is Shs 203,460 million (2020: Ushs 204,350 million).

The balance with Bank of Uganda was classified as high grade, under stage 1 as at 31 December 2021 and 2020. There were no transfers between stages for both years. The changes in the gross carrying amounts of the balances with Bank of Uganda is due deposits, withdrawals and exchange differences (which are not material), the withdrawals in 2021 exceeded the deposits.

	2021	2020
	Ushs M	Ushs M
At 1 January	**218**	76
Impairment recognized during the year	**(116)**	142
At 31 December	**102**	218

21 Deposits and balances due from banks - Group

	2021	2020
	Ushs M	Ushs M
Deposit auction with Bank of Uganda	**60,300**	100,087
Deposits with other banks	**159,551**	60,691
Placements with other banks	**9,772**	34,686
	229,623	195,464
Expected Credit Loss adjustment	**(99)**	(23)
	229,524	195,441

Deposits and balances due from other banks are short-term deposits made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate on deposits and balances due from other banks was 7% (2020: 8%). The fair value of loans and advances to other banks approximates the carrying amount.

The deposits and balances due from other banks were classified as high grade, under stage 1 as at 31 December 2021 and 2020. There were no transfers between stages for both years. The increase in the expected credit loss was due to the increase in the gross carrying amount by Ushs 34,159 as at 31 December 2021.

	2021	2020
	Ushs M	Ushs M
At 1 January	**23**	6
Impairment recognized during the year	**76**	17
At 31 December	**99**	23

22 Loans and advances to customers - Group

	2021	2020
	Ushs M	Ushs M
Loans and advances to customers at amortised cost	**1,481,814**	1,768,461
Finance leases	**203,854**	69,721
Less impairment loss allowance	**(177,258)**	(62,866)
	1,508,410	1,775,316

	Gross carrying amount	ECL allowance	Net carrying amount	Gross carrying amount	ECL allowance	Net carrying amount
	2021	2021	2021	2020	2020	2020
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Retail customers	**613,545**	**(38,235)**	**575,310**	253,758	(6,882)	246,876
Corporate customers	**1,072,123**	**(139,023)**	**933,100**	1,584,424	(55,984)	1,528,440
	1,685,668	**(177,258)**	**1,508,410**	1,838,182	(62,866)	1,775,316

The weighted average effective interest rate on loans and advances was 14.38% (2020: 14.41%)

Movements in allowance for impairment of loans and advances

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021:	Ushs M	Ushs M	Ushs M	Ushs M
At 1 January 2021	**10,603**	**4,888**	**47,375**	**62,866**
Increase in allowances for expected credit losses	**145**	**4,836**	**156,605**	**161,586**
Recoveries and allowances no longer required	-	-	**(9,768)**	**(9,768)**
Debts written off during the year	-	-	**(37,426)**	**(37,426)**
At 31 December 2021	**10,748**	**9,724**	**156,786**	**177,258**
Charge to statement of comprehensive income (2021)				
Increase in allowances for expected credit losses	**145**	**4,836**	**156,605**	**161,586**
Recoveries and allowances no longer required	**(283)**	-	**(9,485)**	**(9,768)**
Recovery of amounts previously written off	-	-	**(3,460)**	**(3,460)**
Net charge to profit or loss	**(138)**	**4,836**	**143,660**	**148,358**

The charge to statement of comprehensive income is analysed by asset class as follows:

Charge to statement of comprehensive income (2021)

Increase in allowances for impairment on loans and advances	**145**	**4,836**	**156,605**	**161,586**
Recoveries and allowances no longer required	-	-	**(9,485)**	**(9,485)**
Increase in allowances for impairment on balances with Bank of Uganda	**(116)**	-	-	**(116)**
Increase in allowances for impairment on balances with other banks	**76**	-	-	**76**
Increase in allowances for impairment on other assets	**(262)**	-	-	**(262)**
Recoveries and allowances no longer required on investment securities	**19**	-	-	**19**
Recoveries of amounts previously written off	-	-	**(3,460)**	**(3,460)**
Net charge to profit or loss	**(138)**	**4,836**	**143,660**	**148,358**

22 Loans and advances to customers (continued)

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020:	**Ushs M**	**Ushs M**	**Ushs M**	**Ushs M**
At 1 January 2020	7,488	3,675	15,326	26,489
Increase in allowances for expected credit losses	2,458	1,213	42,241	45,912
Recoveries and allowances no longer required	657	-	(13,133)	(12,476)
Debts written off during the year	-	-	2,941	2,941
At 31 December 2020	10,603	4,888	47,375	62,866

Charge to statement of comprehensive income (2020)				
Increase in allowances for expected credit losses	2,458	1,213	42,241	45,912
Recoveries and allowances no longer required	657	-	(13,133)	(12,476)
Recovery of amounts previously written off	-	-	(2,804)	(2,804)
Net charge to profit or loss	3,115	1,213	26,304	30,632

The charge to statement of comprehensive income is analysed by asset class as follows:

Charge to statement of comprehensive income (2020)

Increase in allowances for impairment on loans and advances	4,036	1,213	40,663	45,912
Recoveries and allowances no longer required	-	-	(13,133)	(13,133)
Increase in allowances for impairment on balances with Bank of Uganda	142	-	-	142
Increase in allowances for impairment on balances with other banks	17	-	-	17
Increase in allowances for impairment on other assets	456	-	-	456
Recoveries and allowances no longer required on investment securities	42	-	-	42
Recoveries of amounts previously written off	-	-	(2,804)	(2,804)
Net charge to profit or loss	4,693	1,213	24,726	30,632

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to the changes in the loss allowance is provided in the tables below:

Retail and corporate

	Stage 1	Stage 2	Stage 3	
Loans and advances to customers at amortised cost	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
Gross carrying amount as at 1 January 2021	**1,501,335**	**242,752**	**94,095**	**1,838,182**
Changes in the gross carrying amount				
- Transfer to stage 1	**1,229,105**	**(1,229,105)**	**-**	**-**
- Transfer to stage 2	**(2,179,619)**	**2,179,619**	**-**	**-**
- Transfer to stage 3	**-**	**(217,380)**	**217,380**	**-**
New financial assets originated net of deferred fees	**715,399**	**-**	**-**	**715,399**
Payoffs and write-offs	**-**	**(830,487)**	**(37,426)**	**(867,913)**
Gross carrying amount as at 31 December 2021	**1,266,220**	**145,399**	**274,049**	**1,685,668**
Loss allowance as at 31 December 2021	**(10,748)**	**(9,724)**	**(156,786)**	**(177,258)**
Carrying amount	**1,255,473**	**135,674**	**117,263**	**1,508,410**

22 Loans and advances to customers (continued)

Movements in allowance for impairment of loans and advances (continued)

Retail and corporate

Loans and advances to customers at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Shs M	Shs M	Shs M	Shs M
Gross carrying amount as at 1 January 2020	1,399,813	76,882	89,117	1,565,812
Changes in the gross carrying amount				
– Transfer to stage 1	99,456	(99,456)	-	-
– Transfer to stage 2	(311,597)	311,597	-	-
– Transfer to stage 3	-	(46,271)	46,271	-
New financial assets originated net of deferred fees	313,663	-	-	313,663
Write-offs	-	-	(41,293)	(41,293)
Gross carrying amount as at 31 December 2020	1,501,335	242,752	94,095	1,838,182
Loss allowance as at 31 December 2020	(10,603)	(4,888)	(47,375)	(62,866)
Carrying amount	**1,490,732**	**237,864**	**46,720**	**1,775,316**

Loans and advances to customers include finance lease receivables, which may be analysed as follows:

	2021	2020
	Ushs M	Ushs M
Gross investment in finance leases:		
Not later than 1 year	**8,967**	45,967
Later than 1 year and not later than 5 years	**112,257**	45,638
Later than 5 years	**82,630**	3,064
Gross investment in finance leases	**203,854**	94,669
Unearned future finance income on finance leases	**(70,827)**	(8,635)
Net investment in finance leases	**133,027**	86,034

The net investment in finance leases may be analysed as follows:

	2021	2020
	Ushs M	Ushs M
Not later than 1 year	**5,852**	41,775
Later than 1 year and not later than 5 years	**73,254**	41,475
Later than 5 years	**53,921**	2,784
	133,027	86,034

Included in the allowance for impairment of loans and advances as at 31 December 2021 is Ushs 4,144 million (2020: Ushs 184 million) attributable to impairment of finance lease receivables.
The carrying value of loans and advances to customers is approximately equal to its fair value.

23 Equity investments – Group

	2021	2020
	Ushs M	Ushs M
Equity investments at fair value through profit or loss:		
New Vision Limited	**106**	113
Bank of Baroda (U) Limited	**5,938**	7,500
National Insurance Corporation	**505**	888
Kenya Commercial Bank Limited	**14**	13
	6,563	8,513
Other equity investments:		
Crane Financial Services	**1,138**	1,138
	7,701	9,651

All the equity investments at FVTPL are traded on the Uganda Securities Exchange (USE) except for Kenya Commercial Bank Limited shares which are traded in Nairobi Securities Exchange (NSE). The number of shares held at each reporting date is indicated below:

	2021	2020
	Number of shares	Number of shares
New Vision Limited	**359,693**	359,693
Bank of Baroda (U) Limited	**62,500,000**	62,500,000
National Insurance Corporation	**99,096,923**	99,096,923
Kenya Commercial Bank Limited	**10,000**	10,000

The trading prices per share at the last date of trading for the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
	Ushs M	Ushs M
New Vision Limited	**297**	314
Bank of Baroda (U) Limited	**95**	120
National Insurance Corporation	**5**	9
Kenya Commercial Bank Limited	**1,389**	1,270

During the year, the Bank did not purchase any additional shares. The changes in equity investments at FVTPL during the year were as follows:

	2021	2020
	Ushs M	Ushs M
At 1 January	**8,513**	8,625
Fair value losses	**(1,950)**	(112)
	6,563	8,513

The Group's investment in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Bank holds less than 20% of the voting rights of the investee companies and the Bank does not have significant influence over the financial and operating decisions of the investee companies.

23 Equity investments (continued)

Below is the sensitivity of the share prices to the bank's profit and loss and the resultant effect to the bank's equity;.

	2021			2020		
	Ushs M		Ushs M			
	Fair value gain/(loss)	Tax impact	Net impact on equity	Fair value gain/(loss)	Tax impact	Net impact on equity
10% increase in share price	**655**	**(197)**	**459**	850	(255)	595
10% decrease in share price	**(655)**	**197**	**(459)**	(850)	255	(595)

The other equity investment relates to the Group's investment in Crane Financial Services. This relates to the payment made by the Bank for Crane Financial Services as part of the assets acquired from Crane Bank Limited (in receivership).

24 Investments in securities – Group

	2021	2020
	Ushs M	Ushs M
Amortised cost:		
Investment securities measured at amortised cost	**212,540**	257,370
Other bonds	**46**	138
Expected credit loss adjustment	**(145)**	(126)
	212,441	257,382
Investment securities measured at FVOCI - debt instruments	**339,849**	259,623
	552,290	517,005

Other bonds include corporate bonds amounting to Ushs 46 million (2020: Ushs 138 million) issued by Stanbic Bank Uganda Limited.

Movement in investment securities:

	2021	2020
	Ushs M	Ushs M
At 1 January	**517,006**	486,771
Additions during the year	**200,393**	366,883
Maturities during the year	**(164,376)**	(335,369)
Fair value loss during the year	**(714)**	(1,237)
Movement in expected credit loss	**(19)**	(42)
At 31 December	**552,290**	517,006
Maturing as follows:		
Maturing within 1 month	**37,401**	128,445
Maturing between 1-3 months	**36,629**	48,697
Maturing within 3-12 months	**150,742**	75,727
Maturing between 1-5 years	**327,518**	264,136
	552,290	517,005

The investment securities were classified as high grade, under stage 1 as at 31 December 2021 and 2020. There were no transfers between stages for both years.

	2021	2020
	Ushs M	Ushs M
At 1 January	**126**	84
Impairment recognized during the year	**19**	42
At 31 December	**145**	126

The increase in the expected credit loss was due to the increase in the gross carrying amount of investment securities by Ushs 35,304 as at 31 December 2021.

25 Trading assets - Group

	Trading assets		Trading liabilities	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Non-derivatives	**6,610**	57,536	-	-
Trading assets FVTPL	**90**	821	-	-
	6,700	58,357	-	-
Maturing as follows:				
Maturing within 1 month	-	-	-	-
Maturing between 1–3 months	-	-	-	-
Maturing within 3-12 months	**6,700**	58,357	-	-
Maturing between 1-5 years	-	-	-	-
	6,700	58,357	-	-

	Pledged trading asset	Non-pledged trading assets	Total trading assets	Pledged trading asset	Non-pledged trading assets	Total trading assets
	2021	2021	2021	2020	2020	2020
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Government bonds	**-**	**1,542**	**1,542**	-	39,525	39,525
Treasury bills	**-**	**5,158**	**5,158**	-	18,832	18,832
	-	**6,700**	**6,700**	-	58,357	58,357

Treasury bills are debt securities issued by the Government of Uganda, and administered by the Bank of Uganda, for a term of three months, six months, nine months or a year. Treasury bonds are debt securities issued by the Government of Uganda and administered by the Bank of Uganda, for terms of two years, three years, five years, ten years and fifteen years. The weighted average effective interest rate on government securities was 12.07%. (2020: 11.9%)

26 Other assets

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Other assets at amortised cost (except prepayments)				
Prepaid expenses	**1,755**	11,509	**91**	-
Sundry receivables	**6,310**	6,500	**-**	-
Other assets	**38,223**	3,791	**95**	17
Expected credit loss adjustment	**(805)**	(543)	**-**	-
	45,483	21,257	**186**	17
Other assets at FVTPL			**-**	
Other financial assets at fair value through profit and loss	**72,664**	109,892	**-**	-
	118,147	131,149	**186**	17

Other financial assets at fair value through profit or loss relate to the fair valuation of written off and non-performing loans and advances acquired from Crane Bank Limited. The carrying value of other assets is approximately equal to its fair value.

The table below summarises the movement in other financial assets at fair value through profit or loss:

	2021	2020
	Ushs M	Ushs M
At 1 January	**109,892**	166,283
Settlements against the asset	**(6,367)**	(5,903)
Fair value loss	**(30,861)**	(50,488)
At 31 December	**72,664**	109,892

27 Investment property

Investment property comprises land and buildings at Plot 26 Kyadondo Road, Kampala. This property is held for its rental and capital appreciation. The investment property has been stated on the historical cost basis.

During 2021, the Company resolved to make available for rent to third parties, that part of the property that is not utilised by dfcu Group Limited. Consequently, that part of the property is held for rental purposes and has been reclassified to investment property in the consolidated financial statements as shown below. In the separate financial statements of the Company, the entire property is held for rental purposes and is therefore retained as investment property in those financial statements.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
Cost:				
At 1 January	**21,212**	8,913	**56,025**	56,125
Additions	**14**	145	**190**	360
Transfer from work in progress	**-**	218	**-**	-
Transfers from own use (property and equipment)	-	12,369	-	-
Write offs	**-**	(433)	**-**	(460)
As at 31 December	**21,226**	21,212	**56,215**	56,025
Depreciation:				
At 1 January	**1,970**	1,148	**12,419**	9,789
Charge for the year	**461**	276	**2,666**	2,667
Transfers from own use	**-**	575	**-**	-
Write offs	**-**	(29)	**-**	(37)
As at 31 December	**2,431**	1,970	**15,085**	12,419
Net Book Value	**18,795**	19,242	**41,130**	43,606
Amount allocated to investment property			**18,795**	19,242
Amount allocated to property and equipment			**22,335**	24,364
Total property and equipment			**41,130**	43,606

27 Investment property

The fair value of the investment property is Ushs 58 billion. The Group has assessed that the highest and best use of its investment property does not differ from their current use.

The valuation was carried out using the investment method of valuation. The valuer utilised the income capitalisation approach by reference to the net cashflows / rental income from the commercial building portion that is being rented out.

The significant unobservable inputs used in the valuation were as follows:

Significant unobservable input

		Range (weighted average)
Building	Estimated rental value	US$13 – US$ 18 per square metre depending on the attributes of the space. Gross annual rent is estimated at US$ 1,713,086.6
	Service charge	US$ 4 per square metre and is charged separately. The annual service charge is estimated at US$ 328,991.52
	Parking	Estimated annual rent of US$ 35,280
	Discount rate	6%- 8% (7%)
Land	Price per acre	Ushs 8 billion -Ushs 10 billion per acre

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.
Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield).

Valuation techniques for investment properties:

Land	**Market Approach** Land was valued by the sales comparison method taking into account factors such as location, services and accessibility.
Buildings	**Income capitalisation approach** The valuer used this approach to estimate the value of income-producing portion of the building. It is based on the expectation of future benefits. This method of valuation relates value to the market rent that a property can be expected to earn and to the resale value.

The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of the investment property included:

- The property and its value is unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value referred to in the valuation report excludes Value Added Tax and transfer costs
- The property is unaffected by environmental issues

The property is assumed to be free from any structural fault, rot, infestation or defects of any other nature whether exposed or unexposed, including inherent weaknesses due to the use in construction of deleterious materials. There is also an assumption that there are no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of each property are sufficient to support the building constructed or to be constructed thereon.

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Rental income derived from investment properties	**1,603**	1,786	**6,262**	6,224
Direct operating expenses (including repairs and maintenance)	**(1,972)**	(181)	**(6,434)**	(181)
Profit arising from investment properties	**(369)**	1,605	**(172)**	6,043

28 (a) Property, equipment and right-of-use asset - Group

As at 31 December 2021	Freehold land and buildings	Motor vehicle	Furniture & equipment	Computer equipment	Right of Use asset	Work-In-Progress	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Cost:							
At 1 January 2021	31,574	3,099	104,997	25,879	53,181	7,162	225,892
Additions	-	176	982	1,491	1,431	2,989	7,069
Transfers from work in progress	-	213	5,012	83	-	(5,308)	-
Write offs	(29)	-	(14,565)	(2,243)	-	(1,079)	(17,916)
Lease terminated during the year	-	-	-	-	(689)	-	(689)
Eliminated on disposal	-	(251)	(5,161)	(661)	-	-	(6,073)
At 31 December 2021	31,545	3,237	91,265	24,549	53,923	3,764	208,283
Depreciation:							
At 1 January 2021	4,007	1,699	78,313	22,865	11,800	-	118,684
Charge for the year	732	540	9,480	1,939	8,288	-	19,621
Write offs	(4)	-	(14,067)	(2,243)	-	-	(16,314)
Lease terminated during the year	-	-	-	-	(167)	-	(167)
Eliminated on disposal	-	(251)	(5,032)	(651)	-	-	(5,934)
At 31 December 2021	4,735	1,988	68,694	21,910	19,921	-	117,248
Net carrying amount	26,810	1,249	22,571	2,639	34,002	3,764	91,035

28 (a) Property, equipment and right-of-use asset – Group (continued)

As at 31 December 2020	Freehold land and buildings	Motor vehicle	Furniture & equipment	Computer equipment	Right of Use asset	Work-In-Progress	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Cost:							
At 1 January 2020	73,770	2,453	117,591	29,718	52,074	6,544	282,150
Additions	4,031	-	1,559	772	15,139	14,450	35,951
Transfers from work in progress	-	646	12,819	-	-	(13,683)	(218)
Write offs	(87)	-	(218)	(184)	(28)	(149)	(666)
Transfer to investment property	(12,369)	-	-	-	-	-	(12,369)
Disposals	-	-	(14,573)	(4,427)	-	-	(19,000)
Rescinded properties transferred to assets held for sale (Note 27b)	(33,771)	-	(12,181)	-	(14,004)	-	(59,956)
At 31 December 2020	31,574	3,099	104,997	25,879	53,181	7,162	225,892
Depreciation:							
At 1 January 2020	4,463	1,228	91,338	25,216	6,912	-	129,157
Charge for the year	3,139	471	11,458	2,257	7,667	-	24,992
Write offs	(15)	-	(208)	(184)	(8)	-	(415)
Transfer to investment property	(575)	-	-	-	-	-	(575)
Rescinded properties transferred (Note 27b)	(3,005)	-	(9,788)	-	(2,771)	-	(15,564)
Disposals	-	-	(14,487)	(4,424)	-	-	(18,911)
At 31 December 2020	4,007	1,699	78,313	22,865	11,800	-	118,684
Net carrying amount	27,567	1,400	26,684	3,014	41,381	7,162	107,208

Work-In-Progress (WIP) relates to ongoing works in respect of various projects the Bank is undertaking. There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2020: nil). Adjustments to align the fixed assets relates to amendments into the IFRS 16-Leases model with actual payments and payment frequencies.

(b) Assets held for disposal

dfcu Group acquired some assets and liabilities from former Crane Bank Limited (In Liquidation) under an Agreement signed with Bank of Uganda (as the Receiver) on 25 January 2017. As per the provisions of the Agreement, dfcu exercised the option not to purchase the reversionary interest of the properties. As of 31 December 2021, dfcu Group was in the process of returning the properties to Bank of Uganda (as the Receiver). The expected amount to be recovered is Ushs 29,089 million, which has been recorded under assets held for disposal. An impairment amount of Ushs 15,283 million was recognised in other expenses in 2020.

29 Intangible assets

	Goodwill	Computer Software	Other Intangible Assets	Work-In-Progress	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Cost					
At 1 January 2021	463	51,190	36,921	11,469	100,043
Additions	-	-	-	6,387	6,387
Transfers from WIP	-	8,637	-	(8,637)	-
Write offs	-	(173)	-	-	(173)
At 31 December 2021	463	59,654	36,921	9,219	106,257
Amortisation					
At 1 January 2021	-	30,659	32,703	-	63,362
Charge for the year	-	8,106	3,920	-	12,026
Write offs	-	(173)	-	-	(173)
At 31 December 2021	-	38,592	36,623	-	75,215
Net carrying amount	463	21,062	298	9,219	31,042
Cost					
At 1 January 2020	463	42,031	36,921	7,984	87,399
Additions	-	325	-	12,319	12,644
Transfers from WIP	-	8,834	-	(8,834)	-
At 31 December 2020	463	51,190	36,921	11,469	100,043
Amortisation					
At 1 January 2020	-	24,279	25,383	-	49,662
Charge for the year	-	6,380	7,320	-	13,700
At 31 December 2020	-	30,659	32,703	-	63,362
Net carrying amount	463	20,531	4,218	11,469	36,681

Computer software comprises of software for the Group's core banking systems.

Other intangible assets comprises fair valuations of customer relationships acquired from Crane Bank Limited and fair valuations of customer deposits and ground rent. Work-In-Progress (WIP) relates to ongoing works in respect of the various software projects.

Annual impairment test for goodwill

The Group performed its annual impairment test of goodwill during the year. Goodwill was acquired through the business combination of the subsidiary, dfcu Bank as the Cash Generating Unit (CGU). The Group considers the relationship between its market capitalization and its book value among other factors when reviewing for indicators of impairment. As at 31 December 2021, the market capitalization of the Group was below the book value of its entity, an indication of a potential impairment of goodwill.

Management performed a Value in Use (VIU) estimation using the Dividend Discount Model (DDM) as the primary approach and the Market Multiples as a secondary approach.

The DDM involves discounting the expected earnings to shareholders (the dividends stream) at the Equity Required Rate of Return.

The following were the inputs into the DDM;

- Management's forecasts on equity capital requirements to satisfy Capital Adequacy Requirements (CAR) and derived the excess equity capital, distributable to shareholders as the forecast equity cashflows.
- The forecast cashflows were discounted at the low and high cost of equity of 23.12% and 24.36% (an average of 23.74%) derived using the Capital Asset Pricing Model.
- The terminal value was calculated using the long-term Ugandan inflation rate of 5.3%

29 Intangible assets (continued)
Annual impairment test for goodwill (continued)

The Market Multiples approach involved obtaining Price to Book (P/B) multiples of peer companies operating in the same industry as the company. The observed trading multiples were adjusted for country risk and size in order to arrive at an objective equity value. The implied P/B was calculated using the net asset value as at 31 December 2021.

Below is the summary of the valuation results:

	Low	High	Average
	Ushs M	Ushs M	Ushs M
Net assets as at 31 December 2021	**594,026**	**594,026**	**594,026**
Goodwill	**463**	**463**	**463**
Total	**594,489**	**594,489**	**594,489**
VIU (DDM)	**650,000**	**698,000**	**674,000**
Headroom/(impairment)	**55,511**	**103,511**	**79,511**
Net assets as at 31 December 2020	592,912	592,912	592,912
Goodwill	463	463	463
Total	593,375	593,375	593,375
VIU (DDM)	701,000	754,000	727,500
Headroom/(impairment)	107,625	160,625	134,125

From the indicative valuation results based on the primary approach (DDM) and the corroborative approach, there is no impairment for goodwill as at 31 December 2021.

30 Deferred income tax

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 30%), except for interest receivable on treasury bills and bonds where the enacted rate is 15% (2020: 15%). Deferred tax assets and liabilities and the deferred tax credit as at 31 December 2021 are attributed to the following items:

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
At 1 January	**(12,688)**	(2,870)	**(1,164)**	233
Deferred tax credit to P&L	**(15,817)**	(9,559)	**(990)**	(1,397)
Deferred tax credit to OCI	**2,169**	(259)	**-**	-
Deferred tax asset	**(26,336)**	(12,688)	**(2,154)**	(1,164)

30 Deferred income tax (continued)

	Group			
2021	**At 1 January 2021**	**(Credit)/ Charge to P&L**	**(Credit)/ Charge to OCI**	**At 31 December 2021**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
Property and equipment	**(3,488)**	**(168)**	**-**	**(3,656)**
Tax losses carried forward	**(1,527)**	**(12,116)**	**-**	**(13,643)**
Deferred fees and commissions income	**(2,200)**	**272**	**-**	**(1,928)**
Fair value of treasury bills and bonds	**217**	**(1,045)**	**-**	**(828)**
Fair value of customer relationships	**370**	**(528)**	**-**	**(158)**
Unrealised foreign exchange loss	**4**	**(10)**	**-**	**(6)**
FVOCI Fair value loss	**(540)**	**-**	**2,169**	**1,629**
Allowance for impairment of loans and advances	**(4,947)**	**(1,571)**	**-**	**(6,518)**
Allowance for contigent liabilities	**-**	**(657)**	**-**	**(657)**
Provision for URA assessment	**(450)**	**142**	**-**	**(308)**
Capped interest expense	**(127)**	**(136)**		**(263)**
Net deferred tax asset	**(12,688)**	**(15,817)**	**2,169**	**(26,336)**

2020	**At 1 January 2020**	**(Credit)/ Charge to P&L**	**(Credit)/ Charge to OCI**	**At 31 December 2020**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
Property and equipment	3,276	(6,764)	-	(3,488)
Tax losses carried forward	(1,484)	(43)	-	(1,527)
Deferred fees and commissions income	(2,253)	53	-	(2,200)
Fair value of treasury bills and bonds	(5)	222	-	217
Fair value of customer relationships	1,359	(989)	-	370
Unrealised foreign exchange loss	(14)	18	-	4
FVOCI Fair value loss	(281)	-	(259)	(540)
Allowance for impairment of loans and advances	(3,468)	(1,479)	-	(4,947)
Provision for URA assessment	-	(450)	-	(450)
Capped interest expense	-	(127)	-	(127)
Net deferred tax asset	(2,870)	(9,559)	(259)	(12,688)

30 Deferred income tax (continued)

	Company		
2021	**At 1 January 2021**	**(Credit)/ Charge to P&L**	**At 31 December 2021**
	Ushs M	**Ushs M**	**Ushs M**
Property and equipment	**487**	**89**	**576**
Tax losses carried forward	**(1,528)**	**(933)**	**(2,461)**
Capped interest expense	**(127)**	**(136)**	**(263)**
Unrealised foreign exchange loss	**4**	**(10)**	**(6)**
Net deferred tax liability/(asset)	**(1,164)**	**(990)**	**(2,154)**

2020	**At 1 January 2020**	**(Credit)/ Charge to P&L**	**At 31 December 2020**
	Ushs M	**Ushs M**	**Ushs M**
Property and equipment	1,732	(1,245)	487
Tax losses carried forward	(1,485)	(43)	(1,528)
Capped interest expense	-	(127)	(127)
Unrealised foreign exchange loss	(14)	18	4
Net deferred tax liability/(asset)	233	(1,397)	(1,164)

31 Investment in subsidiary

	Shareholding	Company	
		2021	**2020**
		Ushs M	**Ushs M**
dfcu Bank Limited	100%		
As at 1 January and 31 December		**203,293**	203,293

dfcu Bank Limited is incorporated in Uganda under the Companies Act of Uganda as a limited liability company and licensed by Bank of Uganda to operate as a commercial bank. It is domiciled in Uganda and the address of its registered office is:

Plot 26 Kyadondo Road
P.O. Box 70
Kampala, Uganda.

The Group is engaged in the business of banking and the provision of related services and is licensed under the Financial Institutions Act.

32 Customer deposits - Group

	2021	2020
	Ushs M	**Ushs M**
Demand deposits	**1,146,600**	1,208,919
Savings deposits	**557,992**	624,039
Fixed deposits	**577,613**	762,389
	2,282,205	2,595,347

The weighted average effective interest rates for the customer deposits are as follows:

	2021	2020
	%	**%**
Demand deposits	**1**	**1**
Savings deposits	**2**	**2**
Fixed deposits	**9**	**8**

33 Deposits due to other banks - Group

	2021	2020
	Ushs M	Ushs M
Balances due to other banks within 90 days	-	10,968

Balances due to other banks are short-term deposits made by other banks for varying periods of between one day and three months and earn interest at the respective short-term deposit rates. The weighted average effective interest rate was Nil (2020: 7%). The carrying value of deposits due to other banks is approximately equal to its fair value.

34 Other liabilities

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Financial liabilities:				
Bills payable	**466**	279	**-**	-
Unclaimed balances	**2,581**	834	**-**	-
Other liabilities	**13,011**	20,315	**1,289**	1,183
Managed funds (Note 35)	**-**	197	**-**	197
Deferred rental income	**256**	621	**1,819**	2,137
Lease liability	**29,474**	35,929	**-**	-
Total financial liabilities	**45,788**	58,175	**3,108**	3.517
Non-financial liabilities:				
Accrued expenses and payables	**20,408**	18,373	**4,077**	132
Total liabilities	**66,196**	76,548	**7,185**	3,649

Other liabilities

Other liabilities are non-interest bearing and normally settled within 30-90 days. The Group gives no collateral in respect to these payables.

Other liabilities include the expected credit loss on contingent liabilities and commitments amounting to Ushs 102 million (2020: Ushs 88 million). It also includes visa fees payable, taxes payable, dividends payable and others.
The carrying value of other liabilities is approximately equal to its fair value.

36 Managed funds - Group

dfcu Limited managed a number of funds on behalf of the Government of Uganda ("GoU") under which GoU provided financing for on-lending to specified third party beneficiaries under the terms and conditions of each fund. The related loans and advances are not maintained on the statement of financial position of dfcu Limited to reflect the fact that the Group has neither rights to future economic benefits beyond management fees nor obligations to transfer economic benefits under the management agreements of the funds. These funds are due on demand. During the year, the Group had the GoU/CDO Fund and Gomba Daals Fund (GDF) under management. The un-disbursed balances on these funds are as follows:

(a) CDO/ GOU Fund

During 2004, dfcu Limited entered into a tripartite agreement with the Government of Uganda and Cotton Development Organisation (CDO) to set up a revolving fund of Ushs 2.5 billion in cash, Ushs 720 million worth of tractors and US$ 300,000 to finance leases for cotton farmers in Uganda. Under the terms of the agreement, dfcu Limited provided leasing administration and management services only and received fees in this respect of up to 4% of each lease facility. Interest on the facilities was chargeable to a maximum of 10% and was credited to the fund. No time limit was set for the fund under the terms of the agreement.

36 Managed funds - Group (continued)

(b) Gomba Daals Fund

During 2007, dfcu Limited entered into a tripartite agreement with the Government of Uganda and Gomba Daals Spices (U) Limited to set up a revolving fund of Ushs 221 million. Under the terms of the agreement, dfcu Limited provided leasing administration and management services only and received fees in this respect of up to 2% of the lease facility. Interest on the facility was charged at 4% and is credited to the fund. No time limit was set for the fund under the terms of the agreement.

During the year there were no new lease facilities and no management fees earned on these funds.

37 Special funds - Group

Special funds represent liabilities created under the terms of borrowing agreements with Kreditanstalt Fur Wiederaufbau (KFW). These agreements require the Group to remit repayments of principal and interest due on loans issued out of the proceeds of these borrowings into a special fund controlled by the Government of Uganda to support the financing of SME and microfinance businesses.

	2021	2020
	Ushs M	Ushs M
As at 31 December	**1,193**	1,193

The carrying value of special funds is approximately equal to its fair value.

38 Borrowed funds

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Uganda Government (KFW V loan)	**11,878**	11,878	**-**	-
Bank of Uganda (ACF loan)	**31,552**	39,344	**-**	-
Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO)	**10,638**	40,718	**-**	-
Abi-Finance	**7,591**	11,699	**-**	-
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO USD)	**17,947**	30,848	**-**	-
European Investment Bank – PEFF	**68,265**	31,431	**-**	-
East African Development Bank	**5,308**	9,867	**-**	-
Deutsche Investitions-Und Entwicklungsgesellschaft mbH (DEG)	**31,907**	36,560	**-**	-
UN Habitat	**289**	372	**-**	-
Jubilee Insurance	**5,239**	4,502	**5,239**	4,502
	190,614	217,219	**5,239**	4,502

38 Borrowed funds (continued)

The maturity analysis for borrowed funds has been disclosed in Note 6C.

Deutsche Investitions-Und EntwicklungsgesellschaftmbH (DEG)

Included in borrowings is a subordinated debt from Deutsche Investitions-Und EntwicklungsgesellschaftmbH (DEG) whose tenure is 7 years and is due to mature in 2024. The interest rate on this debt is variable at an aggregate interest rate of 6.6% per annum plus the USD swap rate prevailing at the interest determination date. The debt is subordinated to ordinary liabilities of the Group and recognised by the Group as Tier 2 Capital for regulatory capital adequacy purposes of the Group in accordance with Bank of Uganda prudential regulations.

Agricultural Credit Facility (ACF)-BOU

The Government of Uganda through the central bank in partnership with commercial banks, Uganda Development Bank Ltd and micro-deposit taking institutions (MDIs) created the Agricultural Credit Facility. The facility was created for the provision of medium-term credit facilities to agriculture and agro-processing projects on more favorable terms as opposed to the open market. The credit facilities are advanced to customers at an interest rate of 12%. The other objectives of the facility include the promotion of commercial agriculture, increasing access to finance by agribusinesses, increased agricultural production thus food security as well as boosting the confidence of financial institution in lending to agriculture. The Group contributes 50% towards the lending and 50% is financed by the ACF. The Group repays the 50% financed by the ACF as and when the loans are repaid by the customers.

The terms and conditions relating to the other borrowings are tabulated below:

Group	Tenure (years)	Interest rate	Fixed / variable	Currency
Uganda Government (KFW V loan)	Due on demain	-		
Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO)	7	5.50%	Variable	USD
Abi-Finance Limited	7	12.50%	Fixed	Ushs
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	7	5.50%	Variable	Ushs
European Investment Bank-PEFF USD	10	4.70%	Fixed	USD
European Investment Bank-PEFF UGX	10	9.28%	Fixed	Ushs
European Investment Bank-Microfinance	7	10.26%	Fixed	Ushs
East African Development Bank	7	12.00%	Fixed	Ushs
Deutsche Investitions-Und Entwicklungsgesellschaft mbH (DEG) Subordinated debt	7	8.57%	Variable	USD
Deutsche Investitions-Und Entwicklungsgesellschaft mbH (DEG) Senior loan	5	5.32%	Variable	USD
UN Habitat	15	2.00%	Fixed	Ushs
Company				
Jubilee Insurance	5	6.38%	Fixed	USD

39 Borrowed funds (continued)

All the borrowed funds are unsecured.

The carrying value of borrowed funds is approximately equal to its fair value.

The movement in borrowings is as follows:

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
At 1 January	**217,219**	273,354	**4,502**	4,446
Additional drawdowns	**61,214**	19,645	**500**	10,000
Interest expense	**11,353**	14,171	**453**	2,863
Interest and principle repayment	**(96,886)**	(88,628)	**(220)**	(12,810)
Unrealised foreign exchange exchange (gains) / losses	**(1,873)**	(375)	**4**	3
Debt origination fees	**(413)**	(948)	**-**	-
At 31 December	**190,614**	217,219	**5,239**	4,502

39 Share capital and share premium

Group	Number of authorised ordinary shared	Number of issued ordinary shares	Share Capital	Share premium	Total
			Ushs M	Ushs M	Ushs M
At 1 January and 31 December 2021 and 2020	**1,250,000,000**	**748,144,033**	**14,963**	**185,683**	**200,646**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All ordinary shares rank equally with regard to the Group's residual assets.

Share premium	
	2021
	Ushs M
** 1 May 2000	2,878
*** 28 February 2017	182,805
Total	**185,683**

** Share premium relates to shares issued by the Group on 1 May 2000 amounting to 198,880,729 with a par value of Ushs 20 per share at approximately Ushs 95 per share which resulted into a share premium of Shs 2,878 million.

*** Share premium relates to additional capital additional capital from its shareholders through a rights issue done during the year. The capital was converted into 250.9 million ordinary shares giving rise to additional ordinary share capital of Ushs 5.5 billion and share premium of Ushs 182.8 billion.

40 Regulatory reserve - Group

	2021	2020
	Ushs M	Ushs M
At 1 January	-	14,055
Transfer to retained earnings during the year	-	(14,055)
At 31 December	-	-

The regulatory credit risk reserve is analysed as follows:		
Provision for impairment of loans and advances as per FIA 2004:		
Specific provisions	**87,836**	36,513
General provisions	**15,594**	18,051
Total regulatory provision	**103,430**	54,564
Provision for impairment of loans and advances as per IFRS		
Identified impairment (note 23)	**(156,786)**	(47,375)
Unidentified impairment (note 23)		
Stage 1	**(10,748)**	(10,603)
Stage 2	**(9,724)**	(4,888)
Total IFRS provision	**(177,258)**	(62,866)
(Excess) / shortfall of IFRS provision over regulatory provision	**(73,828)**	(8,302)

The regulatory credit risk reserve represents amounts by which allowances for impairment of loans and advances determined in accordance with the Financial Institutions Act, 2004 exceed those determined in accordance with International Financial Reporting Standards. These amounts are appropriated from retained earnings in accordance with accounting policy 4c(v). The reserve is not distributable.

As of 31 December 2021, the allowance of impairment of loans and advances computed in accordance with IFRS exceeded the regulatory provision and therefore the credit risk reserve was nil (2020: Nil).

41 Retained earnings/ accumulated losses

Retained earnings / accumulated losses comprises prior year brought forward earning plus current year profit less any dividends paid and proposed and transfers to credit risk reserve. As at 31 December 2021, retained earnings amounted to Ushs 390,120 million (2020: Ushs 354,157 million). The movement in retained earnings / accumulated losses is shown in the statement of changes in equity.

42 FVOCI revaluation reserve - Group

The fair value reserve comprises the cumulative net change in the fair value of equity securities and the cumulative net change in the fair value of debt securities are measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

Movement in FVOCI financial assets	2021	2020
	Ushs M	Ushs M
At 1 January	**(1,599)**	(621)
Net movement on revaluation of FVOCI	**6,945**	(1,237)
Deferred tax impact on FVOCI transactions	**(2,169)**	259
At 31 December	**3,177**	(1,599)
ECL on FVOCI financial assets		
At 1 January net of deferred tax	**57**	23
Increase in ECL	**26**	34
At 31 December	**83**	57
Total fair value reserve	**3,260**	(1,542)

43 Off statement of financial position financial instruments, contingent liabilities and commitments - Group

In common with other banks, the subsidiary of the Company, dfcu Bank Limited (the Bank), conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2021	2020
	Ushs M	Ushs M
Contingent liabilities:		
Guarantee and performance bonds	**443,974**	271,869
Commitments:		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**26,650**	37,289
	470,624	309,158

The expected credit loss on contingent liabilities and commitments is Ushs 102 million (2020: Ushs 88 million) and this is presented under other liabilities in note 34.

44 Leases

Group as a lessee

The Group leases a number of branch and office premises. The leases typically run for a period of 7 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment. As at 31 December 2021, the net carrying amount for the right-of-use assets is Ushs 34,002 million (2020: Ushs 41,381 million) (see Note 28).

ii. Lease liability

The lease liability arises out of the payment obligations from leased branch and office premises and this is presented within the other liabilities (see note 34).

	2021	2020
	Ushs M	Ushs M
At 1 January	**35,929**	28,591
New leases	**-**	34,530
Interest charge (note 10)	**8,458**	6,418
Unrealised gain on foreign currency denominated leases	**(2,520)**	(1,455)
Leases terminated during the year	**(525)**	
Payments	**(11,868)**	(32,155)
At 31 December	**29,474**	35,929

At 31 December 2021, the future minimum lease payments under non-cancellable operating leases were payable as follows.

iii. Amounts recognized in profit or loss

	2021	2020
	Ushs M	Ushs M
Leases under IFRS 16		
Interest on lease liabilities	**8,458**	6,418
Depreciation on right-of-use asset	**8,288**	7,667
Unrealised gain on foreign currency denominated lease liabilities	**(2,520)**	(1,455)
	14,226	12,630

44 Leases (Continued)

iv. Extension options

Some leases of office premises contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

v. Discount rate

In determination of the implicit rate of the lease (Discount rate), the Group has evaluated its ability to raise funds with a similar term structure and determined the weighted average cost of the fixed deposits as the discount rate. The weighted average rate as at 31 December 2021 was 12% (2020: 12%).
Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office buildings (see Note 27). These leases have terms of between 3 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties.
Rental income recognised by the Group during the year is Ushs 1,603 million (2020: Ushs 1,786 million). The rental income recognised by the Company was Ushs 6,065 million (2020: Ushs 6,224 million).

45 Other contingent liabilities - Group
(a) Provisions

The Group is a defendant in various legal actions in the normal course of business. The total estimated contingent liability arising from these cases is Ushs 284 billion (2020: Ushs 254 billion). Through legal advice management has determined that total expected losses to the Group are Ushs 2.1 billion (2020: Ushs 2.5 billion) for which a provision has been made in the consolidated financial statements. In the opinion of directors and after taking appropriate legal advice, no significant additional losses are expected to arise from these cases.

The movement in litigation provisions during the year was as follows:

	2021	2020
	Ushs M	Ushs M
At 1 January	**2,520**	2,919
Arising during the year	**-**	-
Utilised during the year	**(330)**	(399)
At 31 December	**2,190**	2,520

(b) Derivative financial instruments

The Bank entered into derivatives for trading and risk management purposes. These include swaps and outright forwards that have a settlement date beyond 31 December 2021 from the deal date. The unrealised gain on these contracts amounts to Ushs 339 million (2020: 97 million) recorded in the statement of financial position. The financial instruments as split as indicated below:

	2021	2020
	Ushs M	Ushs M
Derivative financial asset	**647**	-
Derivative financial liability	**(308)**	97
At 31 December	**339**	97

46 Other contingent liabilities – Group (Continued)

(c) Other open litigation matters

As publicly announced during the year by the Company, a claim was issued in the English High Court against the Company, dfcu Bank Limited and other defendants. The claim was brought by certain shareholders of Crane Bank Limited (CBL) and in the name of CBL. The claim related to the transaction in which dfcu Bank Limited (the "subsidiary") acquired some assets and assumed some liabilities of CBL following the placement of CBL under Receivership in 2017.

The Company is not able to disclose all the details in relation to this matter because the matter is still in court.

47 Cash and cash equivalents

Analysis of cash and cash equivalents as shown in the consolidated statement of cash flows.

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Cash in hand (note 20)	**159,104**	152,139	**-**	-
Balances with Bank of Uganda (note 20)	**357,698**	454,611	**-**	-
Less: Cash reserve requirement	**(203,460)**	(204,350)	-	-
Amounts due from related companies (note 46(b))	**-**	-	**2,882**	197
Deposits and balances due from banks (note 21)	**229,524**	195,441	-	-
	542,866	597,841	**2,882**	197

For purposes of the statement of cash flows, cash equivalents include short- term liquid investments which are readily convertible into known amounts of cash and with less than 90 days to maturity from the date of acquisition. Amounts due from related parties relate to cash deposits held in dfcu Group Limited which are due on demand.

Bank of Uganda requires banks to maintain a prescribed minimum cash balance. This balance is available to finance the Group's day-to-day activities; however, there are restrictions as to its use and sanctions for non-compliance. The amount is determined as a percentage of the average outstanding customer deposits held by dfcu Bank Limited, the subsidiary, over a cash reserve cycle period of fourteen days.

48 Related party disclosures

There are other companies that are related to dfcu Limited through common shareholdings or common directorships. National Social Security Fund is one of the top shareholders in dfcu Limited and it has significant shareholding in Umeme Limited. Transactions and balances with related parties are shown below:

a) Amounts due to related companies

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
dfcu Bank Limited-Overdraft and term finance	**-**	-	**14,633**	15,932

Amounts due to dfcu Bank Limited relate to term finance which earns interest at the prevailing market rates. Amounts due to other related companies include borrowings and deposits held with dfcu Limited and dfcu Bank Limited which both accrue interest at the prevailing market rates. The loans to related companies are neither past due nor impaired and bear an average interest rate of 17% per annum.

b) Amounts due from related companies

	Company	
	2021	2020
	Ushs M	Ushs M
dfcu Bank Limited	**2,882**	197

For the purpose of the Company statement of cash flows, cash and cash equivalents are represented by the above balances.

46 Related party disclosures (continued)

These include deposits held in dfcu Bank Limited which are due on demand and earn interest at the prevailing market rates. Amount due from Umeme Limited relates to an overdraft which earns interest at the prevailing market rates.

	2021	2020
	Ushs M	Ushs M
Interest expense incurred	**145**	13

Advances to customers include loans to directors and loans to employees as follows:

- At 31 December 2021, advances to employees amounted to Ushs 25,096 million (2020: Ushs 29,814 million).
- At 31 December 2021, there were no advances to non-executive directors and companies controlled by directors or closely connected persons (2020: Ushs Nil).

	2021	2020
	Ushs M	Ushs M
Interest income earned on advances to employees and directors / companies connected to directors	**1,163**	1,191
Deposits by directors (Group)		
At 1 January	**651**	136
Net increase	**(125)**	515
At 31 December	**526**	651

c) Loans to directors - Group

The loans to directors indicated on page 1 amount to Ushs 1,083 million (2020: Ushs 1,336 million) at interest rates ranging from 8% to 10%. These facilities were performing as of 31 December 2021 and 2020.

d) Key management compensation

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Salaries and other short-term employment benefits	**4,292**	3,989	**383**	383
Post-employment benefits	**636**	583	**64**	64
	4,928	4,572	**447**	447

Directors' remuneration

	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Fees for services as directors	**2,291**	2,060	**691**	557
Other emoluments: short-term benefits (included in key management compensation)	**-**	-	**-**	-
	2,291	2,060	**691**	557

49 Retirement benefit obligations

The Group participates in a defined contribution retirement benefit scheme and substantially all of the Group's employees are eligible to participate in this scheme. The Group is required to make annual contributions to the scheme at a rate of 7.5% of basic pay. Employees contribute 7.5% of their basic salary. The Group has no other material obligation for the payment of retirement benefits beyond the annual contributions under this scheme. During the year ended 31 December 2021, the Group retirement benefit cost charged to profit or loss under the scheme amounted to Ushs 2,379 million (2020: Ushs 2,250 million).

The Group also makes contributions to the statutory retirement benefit scheme, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 31 December 2021 the Group contributed Ushs 5,301 million (2020: Ushs 5,158 million), which has been charged to profit or loss.

50 Capital Commitments

Capital commitments mainly relate to software upgrades and the ongoing construction of Namanve Financial Centre. Capital commitments as at 31 December were:

	Group		Company	
	2021	2020	2021	2020
	Ushs M	Ushs M	Ushs M	Ushs M
Authorised but not contracted	-	-	-	-
Authorised and contracted	12,983	18,630	-	-
	12,983	18,630	-	-

51 Covid-19 Pandemic

The Uganda Government continues to implement measures and provide guidance to help contain and delay the spread of Coronavirus (COVID-19). During the year, the Government implemented a 42-day lockdown in June and July 2021 and thereafter a 19:00 – 05:30 curfew.

In line with ongoing international response to the COVID 19 crisis, the Group recognizes the significance of maintaining business continuity and has therefore embedded specific COVID-19 responses into the business continuity management framework to mitigate the impact of the pandemic businesses, employees and customers. Crisis Management Meetings headed by the Chief Executive Officer continue to be held for coordination of several work streams within the Bank to address challenges related to the pandemic as and when they emerge.

52 Events after reporting date

There are no events after the reporting date that require disclosure in these financial statements.

53 Presentation currency

These consolidated and separate financial statements are presented in Uganda shillings rounded off to the nearest millions (Ushs M).

The major shareholders of dfcu Limited together with their shareholdings are:

As at 31 December 2021

	Number of shares	%
Arise B.V	439,176,097	58.70%
SCB Mauritius A/C Investment Fund for Developing Countries	74,580,276	9.97%
National Social Security Fund	55,803,416	7.46%
Kimberlite Frontier Africa Naster Fund, L.P.-Rckm	54,958,626	7.35%
SSB Russell Investment Company Plc Fund Nas5	14,428,700	1.93%
National Social Security Fund-Pinebridge	10,440,437	1.40%
SSB-Conrad N Hilton Foundation -00fg	9,180,658	1.23%
Vanderbilt University Vanderbilt University	9,155,182	1.22%
The Jubilee Insurance Company of Uganda	7,296,339	0.98%
Bank of Uganda Defined Benefits Scheme- Geneafrica	4,811,165	0.64%
Bank of Uganda Staff Retirement Benefit Scheme Aig	4,481,491	0.60%
The Parliamentary Pension Scheme-Stanlib	2,924,455	0.39%
Uganda Revenue Authority Staff Retirement Benefits	2,850,292	0.38%
Centenary Bank Staff Defined Contribution Scheme	2,806,087	0.38%
Mr. Sudhir Ruparelia	2,165,575	0.29%
Mr Rakesh Gadani	1,977,748	0.26%
Uap Insurance Uganda Ltd	1,836,146	0.25%
Housing Finance Bank/ Uap Insurance- Gen Life Fund	1,557,256	0.21%
Keith Muhakanizi	1,488,972	0.20%
Barclays Bank Uganda Staff Pension Fund	1,380,060	0.18%
Other 3799 Shareholders	44,845,055	5.99%
	748,144,033	100.00%

As at 31 December 2020

	Number of shares	%
Arise B.V	439,176,097	58.70%
Scb Mauritius A/C Investment Fund For Developing Countries	74,580,276	9.97%
National Social Security Funds	55,803,416	7.46%
Kimberlite Frontier Africa Master Fund,L.P.-Rckm	54,958,626	7.35%
Ssb Russell Investment Company Plc Fund Nas5	14,428,700	1.93%
National Social Security Fund-Pinebridge	10,440,437	1.40%
Vanderbilt University Vanderbilt University	7,359,482	0.98%
Ssb-Conrad N Hilton Foundation -00fg	7,255,064	0.97%
Jubilee Investment Company Limited	5,695,259	0.76%
Bank of Uganda Staff Retirement Benefit Scheme Aig	4,481,491	0.60%
Bank of Uganda Staff Retirement Benefit Sch-Sim	4,443,245	0.59%
The Parliamentary Pension Scheme-Stanlib	2,924,455	0.39%
Uganda Revenue Authority Staff Retirement Benefits	2,850,292	0.38%
Cerudeb Staff Defined Contributory Scheme-Aig	2,806,087	0.38%
Mr. Sudhir Ruparelia	2,165,575	0.29%
Mr Rakesh Gadani	1,977,748	0.26%
Uap Insurance Co. Limited	1,636,146	0.22%
The Jubilee Insurance Company Of Uganda	1,601,080	0.21%
Housing Finance Bank/ Uap Insurance- Gen Life Fund	1,557,256	0.21%
Keith Muhakanizi	1,488,972	0.20%
Others	50,514,329	6.75%
	748,144,033	**100.00%**

Financial definitions

Profit for the year	Annual statement of comprehensive income profit attributable to ordinary shareholders stated in Uganda Shillings.
Earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue stated in Uganda Shillings.
Return on Equity (ROE)	Earnings as a percentage of ordinary shareholders' funds.
Return on Assets (ROA)	Earnings as a percentage of total assets
Net Interest Margin (NIM)	Net interest income as a percentage of average total assets
Cost to income ratio	Operating expenses as a percentage of income before tax excluding income from subsidiaries.
Credit Loss Ratio	Provision for credit losses per the Statement of Comprehensive Income as a percentage of gross loans and advances.
Effective Tax Rate	The income tax charge as a percentage of income before tax.
Dividend per share	Total ordinary dividends declared per share in respect of the year.
Core capital	Permanent shareholder equity in the form of issued and fully paid up shares plus all disclosed reserves, less goodwill or any other intangible assets.
Supplementary capital	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and any other form of capital as may be determined from time to time by Bank of Uganda
Total capital	The sum of core capital and supplementary capital
Core capital ratio	Core capital divided by the total risk weighted assets.
Total capital ratio	Total capital divided by the total risk weighted assets.
Credit Impairment Charge	The amount by which the period profits are reduced to cater for the effect of credit impairment expressed in Uganda Shillings.
Lending Ratio	Net loans and advances divided by total deposits expressed as a percentage.

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